BROOKDALE SENIOR LIVING INC.

FORM 10-Q

(Quarterly Report)

Filed 11/07/23 for the Period Ending 09/30/23

Address	111 WESTWOOD PLACE, BRENTWOOD, TN, 37027
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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 September 30, 2023

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: 001-32641

BROOKDALE SENIOR LIVING INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-3068069**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
111 Westwood Place, Suite 400, Brentwood, Tennessee	**37027**
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) **(615) 221-2250**

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

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, $0.01 Par Value Per Share	BKD	New York Stock Exchange
7.00% Tangible Equity Units	BKDT	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	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

As of November 3, 2023, 188,238,130 shares of the registrant's common stock, $0.01 par value, were outstanding (excluding restricted stock and restricted stock units).

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FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2023

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BROOKDALE SENIOR LIVING INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except stock amounts)

	September 30, 2023	December 31, 2022
Assets	**(Unaudited)**	
Current assets		
Cash and cash equivalents	$ 331,716	$ 398,850
Marketable securities	66,233	48,680
Restricted cash	41,265	27,735
Accounts receivable, net	47,522	55,761
Assets held for sale	12,675	—
Prepaid expenses and other current assets, net	94,536	106,067
Total current assets	593,947	637,093
Property, plant and equipment and leasehold intangibles, net	4,372,072	4,535,702
Operating lease right-of-use assets	707,434	597,130
Restricted cash	30,295	47,963
Investment in unconsolidated ventures	55,973	55,333
Goodwill	27,321	27,321
Deferred tax asset	3,619	1,604
Other assets, net	38,408	34,916
Total assets	$ 5,829,069	$ 5,937,062
Liabilities and Equity		
Current liabilities		
Current portion of long-term debt	$ 304,504	$ 66,043
Current portion of financing lease obligations	1,031	24,059
Current portion of operating lease obligations	190,703	176,758
Trade accounts payable	76,784	71,000
Accrued expenses	260,349	237,148
Refundable fees and deferred revenue	64,924	66,197
Total current liabilities	898,295	641,205
Long-term debt, less current portion	3,492,860	3,784,099
Financing lease obligations, less current portion	150,763	224,801
Operating lease obligations, less current portion	722,293	616,973
Other liabilities	71,519	85,831
Total liabilities	5,335,730	5,352,909
Preferred stock, $0.01 par value, 50,000,000 shares authorized at September 30, 2023 and December 31, 2022; no shares issued and outstanding	—	—
Common stock, $0.01 par value, 400,000,000 shares authorized at September 30, 2023 and December 31, 2022; 198,767,716 and 197,776,991 shares issued and 188,240,191 and 187,249,466 shares outstanding (including 2,061 and 422,542 unvested restricted shares), respectively	1,988	1,978
Additional paid-in-capital	4,339,378	4,332,302
Treasury stock, at cost; 10,527,525 shares at September 30, 2023 and December 31, 2022	(102,774)	(102,774)
Accumulated deficit	(3,746,756)	(3,648,901)
Total Brookdale Senior Living Inc. stockholders' equity	491,836	582,605
Noncontrolling interest	1,503	1,548
Total equity	493,339	584,153
Total liabilities and equity	$ 5,829,069	$ 5,937,062

See accompanying notes to condensed consolidated financial statements.

BROOKDALE SENIOR LIVING INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Resident fees	$ 717,123	$ 650,248	$ 2,140,688	$ 1,927,610
Management fees	2,566	2,967	7,653	9,625
Reimbursed costs incurred on behalf of managed communities	34,979	37,484	103,932	112,013
Other operating income	2,623	66,759	9,073	75,546
Total revenue and other operating income	757,291	757,458	2,261,346	2,124,794
Facility operating expense (excluding facility depreciation and amortization of $79,384, $81,405, $236,547, and $242,281, respectively)	537,411	525,510	1,599,336	1,551,938
General and administrative expense (including non-cash stock-based compensation expense of $2,893, $3,403, $8,966, and $10,907, respectively)	43,076	41,331	137,021	128,209
Facility operating lease expense	53,145	41,317	149,784	124,419
Depreciation and amortization	85,932	86,922	255,314	259,229
Asset impairment	9,086	5,688	9,606	17,362
Loss (gain) on sale of communities, net	—	—	(36,296)	—
Costs incurred on behalf of managed communities	34,979	37,484	103,932	112,013
Income (loss) from operations	(6,338)	19,206	42,649	(68,376)
Interest income	6,323	2,192	17,764	3,065
Interest expense:				
Debt	(53,413)	(41,330)	(155,984)	(110,180)
Financing lease obligations	(4,950)	(11,916)	(16,955)	(35,968)
Amortization of deferred financing costs	(1,910)	(1,528)	(5,749)	(4,590)
Change in fair value of derivatives	861	4,901	5,130	9,277
Equity in earnings (loss) of unconsolidated ventures	(1,426)	(2,020)	(3,156)	(9,353)
Non-operating gain (loss) on sale of assets, net	—	(56)	860	611
Other non-operating income (loss)	10,166	1,877	16,512	1,739
Income (loss) before income taxes	(50,687)	(28,674)	(98,929)	(213,775)
Benefit (provision) for income taxes	1,876	300	1,029	1,086
Net income (loss)	(48,811)	(28,374)	(97,900)	(212,689)
Net (income) loss attributable to noncontrolling interest	15	15	45	(101)
Net income (loss) attributable to Brookdale Senior Living Inc. common stockholders	$ (48,796)	$ (28,359)	$ (97,855)	$ (212,790)
Basic and diluted net income (loss) per share attributable to Brookdale Senior Living Inc. common stockholders	$ (0.22)	$ (0.15)	$ (0.43)	$ (1.14)
Weighted average shares used in computing basic and diluted net income (loss) per share	225,416	186,790	225,136	186,493

See accompanying notes to condensed consolidated financial statements.

BROOKDALE SENIOR LIVING INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Total equity, balance at beginning of period	$ 539,276	$ 518,567	$ 584,153	$ 699,623
Common stock:				
Balance at beginning of period	$ 1,988	$ 1,978	$ 1,978	$ 1,975
Restricted stock and restricted stock units, net	—	—	16	9
Shares withheld for employee taxes	—	—	(6)	(6)
Balance at end of period	$ 1,988	$ 1,978	$ 1,988	$ 1,978
Additional paid-in-capital:				
Balance at beginning of period	$ 4,336,504	$ 4,211,931	$ 4,332,302	$ 4,208,675
Compensation expense related to restricted stock grants	2,893	3,403	8,966	10,907
Restricted stock and restricted stock units, net	—	—	(16)	(9)
Shares withheld for employee taxes	(19)	(37)	(1,874)	(4,276)
Balance at end of period	$ 4,339,378	$ 4,215,297	$ 4,339,378	$ 4,215,297
Treasury stock:				
Balance at beginning and end of period	$ (102,774)	$ (102,774)	$ (102,774)	$ (102,774)
Accumulated deficit:				
Balance at beginning of period	$ (3,697,960)	$ (3,594,905)	$ (3,648,901)	$ (3,410,474)
Net income (loss) attributable to Brookdale Senior Living Inc. common stockholders	(48,796)	(28,359)	(97,855)	(212,790)
Balance at end of period	$ (3,746,756)	$ (3,623,264)	$ (3,746,756)	$ (3,623,264)
Noncontrolling interest:				
Balance at beginning of period	$ 1,518	$ 2,337	$ 1,548	$ 2,221
Net income (loss) attributable to noncontrolling interest	(15)	(15)	(45)	101
Noncontrolling interest distribution	—	(760)	—	(760)
Balance at end of period	$ 1,503	$ 1,562	$ 1,503	$ 1,562
Total equity, balance at end of period	$ 493,339	$ 492,799	$ 493,339	$ 492,799
Common stock share activity				
Outstanding shares of common stock:				
Balance at beginning of period	188,235	187,256	187,249	186,958
Restricted stock and restricted stock units, net	10	8	1,561	915
Shares withheld for employee taxes	(5)	(8)	(570)	(617)
Balance at end of period	188,240	187,256	188,240	187,256

See accompanying notes to condensed consolidated financial statements.

BROOKDALE SENIOR LIVING INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Nine Months Ended September 30,	
	2023	**2022**
Cash Flows from Operating Activities		
Net income (loss)	$ (97,900)	$ (212,689)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization, net	261,063	263,819
Asset impairment	9,606	17,362
Equity in (earnings) loss of unconsolidated ventures	3,156	9,353
Distributions from unconsolidated ventures from cumulative share of net earnings	430	561
Amortization of entrance fees	(732)	(1,816)
Proceeds from deferred entrance fee revenue	477	2,360
Deferred income tax (benefit) provision	(2,015)	(2,068)
Operating lease expense adjustment	(33,820)	(25,329)
Change in fair value of derivatives	(5,130)	(9,277)
Loss (gain) on sale of assets, net	(37,156)	(611)
Non-cash stock-based compensation expense	8,966	10,907
Property and casualty insurance income	(14,047)	(996)
Other non-operating (income) loss	(2,542)	—
Changes in operating assets and liabilities:		
Accounts receivable, net	8,250	(411)
Prepaid expenses and other assets, net	9,347	(11,807)
Prepaid insurance premiums financed with notes payable	(6,530)	(5,552)
Trade accounts payable and accrued expenses	21,444	1,548
Refundable fees and deferred revenue	8,518	7,265
Operating lease assets and liabilities for lessor capital expenditure reimbursements	2,244	9,224
Net cash provided by (used in) operating activities	133,629	51,843
Cash Flows from Investing Activities		
Purchase of marketable securities	(159,811)	(230,106)
Sale and maturities of marketable securities	145,100	323,765
Capital expenditures, net of related payables	(174,700)	(150,572)
Acquisition of assets, net of cash acquired	(574)	(6,004)
Investment in unconsolidated ventures	(7,589)	(192)
Proceeds from sale of assets, net	43,181	5,844
Property and casualty insurance proceeds	19,536	—
Other	(890)	(228)
Net cash provided by (used in) investing activities	(135,747)	(57,493)
Cash Flows from Financing Activities		
Proceeds from debt	25,532	32,031
Repayment of debt and financing lease obligations	(91,866)	(64,190)
Payment of financing costs, net of related payables	(940)	(646)
Payments of employee taxes for withheld shares	(1,880)	(4,282)
Other	—	(760)
Net cash provided by (used in) financing activities	(69,154)	(37,847)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(71,272)	(43,497)
Cash, cash equivalents, and restricted cash at beginning of period	474,548	438,314
Cash, cash equivalents, and restricted cash at end of period	$ 403,276	$ 394,817

See accompanying notes to condensed consolidated financial statements.

BROOKDALE SENIOR LIVING INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Description of Business

Brookdale Senior Living Inc. together with its consolidated subsidiaries ("Brookdale" or the "Company") is an operator of672 senior living communities throughout the United States. The Company is committed to its mission of enriching the lives of the people it serves with compassion, respect, excellence, and integrity. The Company operates and manages independent living, assisted living, memory care, and continuing care retirement communities ("CCRCs"). The Company's senior living communities and its comprehensive network help to provide seniors with care, connection, and services in an environment that feels like home. As of September 30, 2023, the Company owned 346 communities, representing a majority of the Company's community portfolio, leased 295 communities, and managed 31 communities.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for quarterly reports on Form 10-Q. In the opinion of management, these financial statements include all adjustments, which are of a normal and recurring nature, necessary to present fairly the financial position, results of operations, and cash flows of the Company for all periods presented. Certain information and footnote disclosures included in annual financial statements have been condensed or omitted. The Company believes that the disclosures included are adequate and provide a fair presentation of interim period results. Interim financial statements are not necessarily indicative of the financial position or operating results for an entire year. These interim financial statements should be read in conjunction with the audited financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on February 22, 2023.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Brookdale and its consolidated subsidiaries. The ownership interest of consolidated entities not wholly-owned by the Company are presented as noncontrolling interests in the accompanying unaudited condensed consolidated financial statements. Intercompany balances and transactions have been eliminated in consolidation, and net income (loss) is reduced by the portion of net income (loss) attributable to noncontrolling interests. The Company reports investments in unconsolidated entities over whose operating and financial policies it has the ability to exercise significant influence under the equity method of accounting.

Use of Estimates

The preparation of the condensed consolidated financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Estimates are used for, but not limited to, revenue, other operating income, asset impairments, self-insurance reserves, performance-based compensation, the allowance for credit losses, depreciation and amortization, leasing transactions, income taxes, and other contingencies. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may differ from the original estimates.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current financial statement presentation, with no effect on the Company's condensed consolidated financial position or results of operations.

3. Fair Value Measurements

Marketable Securities

As of September 30, 2023 and December 31, 2022, marketable securities of $66.2 million and $48.7 million, respectively, are stated at fair value based on valuations provided by third-party pricing services and are classified within Level 2 of the valuation hierarchy.

Interest Rate Derivatives

The Company's derivative assets include interest rate cap and swap instruments that effectively manage the risk above certain interest rates for a portion of the Company's long-term variable rate debt. The Company has not designated the interest rate cap and swap instruments as hedging instruments and as such, changes in the fair value of the instruments are recognized in earnings in the period of the change. The interest rate derivative positions are valued using models developed by the respective counterparty that use as their basis readily available observable market parameters (such as forward yield curves) and are classified within Level 2 of the valuation hierarchy. The Company considers the credit risk of its counterparties when evaluating the fair value of its derivatives.

The following table summarizes the Company's Secured Overnight Financing Rate ("SOFR") interest rate cap instruments as of September 30, 2023.

($ in thousands)		
Current notional balance	$	1,231,920
Weighted average fixed cap rate		4.34 %
Weighted average remaining term		1.0 year
Estimated asset fair value (included in other assets, net) at September 30, 2023	$	14,826
Estimated asset fair value (included in other assets, net) at December 31, 2022	$	10,599

The following table summarizes the Company's SOFR interest rate swap instrument as of September 30, 2023.

($ in thousands)		
Current notional balance	$	220,000
Fixed interest rate		3.00 %
Remaining term		0.6 years
Estimated asset fair value (included in other assets, net) at September 30, 2023	$	3,488
Estimated asset fair value (included in other assets, net) at December 31, 2022	$	4,834

Long-term debt

The Company estimates the fair value of its debt primarily using a discounted cash flow analysis based upon the Company's current borrowing rate for debt with similar maturities and collateral securing the indebtedness. The Company estimates the fair value of its convertible senior notes based on valuations provided by third-party pricing services. The Company had outstanding long-term debt with a carrying amount of approximately $3.8 billion and $3.9 billion as of September 30, 2023 and December 31, 2022, respectively. Fair value of the long-term debt is approximately $3.4 billion as of both September 30, 2023 and December 31, 2022. The Company's fair value of long-term debt disclosure is classified within Level 2 of the valuation hierarchy.

4. Revenue

The Company disaggregates its revenue from contracts with customers by payor source as the Company believes it best depicts how the nature, amount, timing, and uncertainty of its revenue and cash flows are affected by economic factors. Resident fee revenue by payor source is as follows.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Private pay	93.7 %	93.6 %	93.7 %	93.5 %
Government reimbursement	4.9 %	5.1 %	4.9 %	5.1 %
Other third-party payor programs	1.4 %	1.3 %	1.4 %	1.4 %

Refer to Note 14 for disaggregation of revenue by reportable segment.

The payment terms and conditions within the Company's revenue-generating contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance under the Company's independent living, assisted living, and memory care residency agreements. Resident fee revenue for standalone or certain healthcare services is generally billed monthly in arrears. Additionally, non-refundable community fees are generally billed and collected in advance or upon move-in of a resident under the Company's independent living, assisted living, and memory care residency agreements. Amounts of revenue that are collected from residents in advance are recognized as deferred revenue until the performance obligations are satisfied.

The Company had total deferred revenue (included within refundable fees and deferred revenue and other liabilities within the condensed consolidated balance sheets) of $57.9 million and $67.3 million, including $31.6 million and $25.2 million of monthly resident fees billed and received in advance, as of September 30, 2023 and December 31, 2022, respectively. For the nine months ended September 30, 2023 and 2022, the Company recognized $49.1 million and $53.1 million, respectively, of revenue that was included in the deferred revenue balance as of January 1, 2023 and 2022, respectively.

5. Property, Plant and Equipment and Leasehold Intangibles, Net

As of September 30, 2023 and December 31, 2022, net property, plant and equipment and leasehold intangibles, which include assets under financing leases, consisted of the following.

(in thousands)	September 30, 2023	December 31, 2022
Land	$ 502,084	$ 506,968
Buildings and improvements	5,331,202	5,323,736
Furniture and equipment	1,098,183	1,055,304
Resident and leasehold operating intangibles	283,711	286,122
Construction in progress	40,812	41,778
Assets under financing leases and leasehold improvements	1,083,714	1,375,521
Property, plant and equipment and leasehold intangibles	8,339,706	8,589,429
Accumulated depreciation and amortization	(3,967,634)	(4,053,727)
Property, plant and equipment and leasehold intangibles, net	$ 4,372,072	$ 4,535,702

Assets under financing leases and leasehold improvements includes $29.9 million and $98.4 million of financing lease right-of-use assets, net of accumulated amortization, as of September 30, 2023 and December 31, 2022, respectively. Refer to Note 7 for further information on the Company's financing leases.

Long-lived assets with definite useful lives are depreciated or amortized on a straight-line basis over their estimated useful lives (or, in certain cases, the shorter of their estimated useful lives or the lease term) and are tested for impairment whenever indicators of impairment arise. The Company recognized depreciation and amortization expense on its property, plant and equipment and leasehold intangibles of $85.9 million and $86.9 million for the three months ended September 30, 2023 and 2022, respectively, and $255.3 million and $259.2 million for the nine months ended September 30, 2023 and 2022, respectively. The Company recognized $5.3 million and $5.8 million for the three and nine months ended September 30, 2023, respectively of non-cash impairment charges in its operating results for its property, plant and equipment and leasehold intangibles assets, primarily due to the potential disposition of up to five underperforming communities. The Company recognized $3.8 million and $5.9 million for the three and nine months ended September 30, 2022, respectively, of non-cash impairment charges in its operating results for its property, plant and equipment and leasehold intangibles assets, primarily due to property damage sustained at certain communities and decreased occupancy and future cash flow estimates at certain communities as a result of the continued impacts of the COVID-19 pandemic.

6. Debt

Long-term debt consists of the following.

(in thousands)	September 30, 2023	December 31, 2022
Fixed rate mortgage notes payable due 2024 through 2047; weighted average interest rate of 4.14% as of both September 30, 2023 and December 31, 2022	$ 2,040,563	$ 2,055,867
Variable rate mortgage notes payable due 2025 through 2030; weighted average interest rate of 7.70% and 6.68% as of September 30, 2023 and December 31, 2022, respectively	1,528,667	1,568,555
Convertible notes payable due October 2026; interest rate of 2.00% as of both September 30, 2023 and December 31, 2022	230,000	230,000
Tangible equity units senior amortizing notes due November 2025; interest rate of 10.25% as of both September 30, 2023 and December 31, 2022	19,993	25,586
Other notes payable due 2023; interest rate of 5.90% as of September 30, 2023	2,673	—
Deferred financing costs, net	(24,532)	(29,866)
Total long-term debt	3,797,364	3,850,142
Current portion	304,504	66,043
Total long-term debt, less current portion	$ 3,492,860	$ 3,784,099

As of September 30, 2023, 92.0%, or $3.5 billion, of the Company's total debt obligations represented non-recourse property-level mortgage financings.

The Company's remaining variable rate mortgage notes payable arrangements indexed to London Interbank Offered Rate ("LIBOR") were modified to reference SOFR rather than LIBOR prospectively after the discontinuance of LIBOR in July 2023. As of September 30, 2023, the Company's variable rate mortgage notes payable were indexed to SOFR plus a weighted average margin of 239 basis points. The Company applied the optional expedient provided by Accounting Standards Codification 848, *Reference Rate Reform*, for debt contract modifications related to the discontinuation of reference rates to ease the potential burden in accounting for reference rate reform.

As of September 30, 2023, $72.5 million of letters of credit and no cash borrowings were outstanding under the Company's $80.0 million secured credit facility. The credit facility matures on January 15, 2024 and the Company has the option to extend the facility for two additional terms of one year each subject to the satisfaction of certain conditions. The Company also had a separate secured letter of credit facility providing up to $15.0 million of letters of credit as of September 30, 2023 under which $14.5 million had been issued as of that date.

Financial Covenants

Certain of the Company's debt documents contain restrictions and financial covenants, such as those requiring the Company to maintain prescribed minimum liquidity, net worth, and stockholders' equity levels and debt service ratios, and requiring the Company not to exceed prescribed leverage ratios, in each case on a consolidated, portfolio-wide, multi-community, single-community, and/or entity basis. In addition, the Company's debt documents generally contain non-financial covenants, such as those requiring the Company to comply with Medicare or Medicaid provider requirements and maintain insurance coverage.

The Company's failure to comply with applicable covenants could constitute an event of default under the applicable debt documents. Many of the Company's debt documents contain cross-default provisions so that a default under one of these instruments could cause a default under other debt and lease documents (including documents with other lenders and lessors). Furthermore, the Company's long-term mortgage debt is secured by its communities and, in certain cases, a guaranty by the Company and/or one or more of its subsidiaries.

As of September 30, 2023, the Company is in compliance with the financial covenants of its debt agreements.

7. Leases

As of September 30, 2023, the Company operated 295 communities under long-term leases (281 operating leases and 14 financing leases). The substantial majority of the Company's lease arrangements are structured as master leases. Under a master lease, numerous communities are leased through an indivisible lease. In certain cases, the Company guarantees the performance and lease payment obligations of its subsidiary lessees under the master leases. An event of default related to an individual property or limited number of properties within a master lease portfolio may result in a default on the entire master lease portfolio.

The leases relating to these communities are generally fixed rate leases with annual escalators that are either fixed or based upon changes in the consumer price index or the leased property revenue. The Company is responsible for all operating costs, including repairs, property taxes, and insurance. The leases generally provide for renewal or extension options from 5 to 20 years and in some instances, purchase options.

The community leases contain other customary terms, which may include assignment and change of control restrictions, maintenance and capital expenditure obligations, termination provisions and financial covenants, such as those requiring the Company to maintain prescribed minimum liquidity, net worth, and stockholders' equity levels and lease coverage ratios, in each case on a consolidated, portfolio-wide, multi-community, single-community and/or entity basis. In addition, the Company's lease documents generally contain non-financial covenants, such as those requiring the Company to comply with Medicare or Medicaid provider requirements and maintain insurance coverage.

The Company's failure to comply with applicable covenants could constitute an event of default under the applicable lease documents. Many of the Company's debt and lease documents contain cross-default provisions so that a default under one of these instruments could cause a default under other debt and lease documents (including documents with other lenders and lessors). Certain leases contain cure provisions, which generally allow the Company to post an additional lease security deposit if the required covenant is not met.

As of September 30, 2023, the Company is in compliance with the financial covenants of its long-term leases.

Lease right-of-use assets are reviewed for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company recognized $3.8 million for both the three and nine months ended September 30, 2023, of non-cash impairment charges for its operating lease right-of-use assets, primarily due to lower than expected occupancy and decreased future cash flow estimates at certain communities. The Company recognized $1.9 million and $11.5 million for the three and nine months ended September 30, 2022, of non-cash impairment charges in its operating results for its operating lease right-of-use assets, primarily due to decreased occupancy and future cash flow estimates at certain communities as a result of the continued impacts of the COVID-19 pandemic and property damage sustained at certain communities.

A summary of operating and financing lease expense (including the respective presentation on the condensed consolidated statements of operations) and net cash outflows from leases is as follows.

	Three Months Ended September 30,		Nine Months Ended September 30,	
Operating Leases *(in thousands)*	**2023**	**2022**	**2023**	**2022**
Facility operating expense	$ 1,853	$ 1,621	$ 5,211	$ 4,705
Facility lease expense	53,145	41,317	149,784	124,419
Operating lease expense	54,998	42,938	154,995	129,124
Operating lease expense adjustment [(1)]	11,458	8,714	33,820	25,329
Changes in operating lease assets and liabilities for lessor capital expenditure reimbursements	—	(4,367)	(2,244)	(9,224)
Operating net cash outflows from operating leases	$ 66,456	$ 47,285	$ 186,571	$ 145,229

(1) Represents the difference between the amount of cash operating lease payments and the amount of operating lease expense.

Financing Leases *(in thousands)*	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Depreciation and amortization	$ 1,159	$ 7,405	$ 8,902	$ 22,678
Interest expense: financing lease obligations	4,950	11,916	16,955	35,968
Financing lease expense	$ 6,109	$ 19,321	$ 25,857	$ 58,646
Operating cash outflows from financing leases	$ 4,950	$ 11,916	$ 16,955	$ 35,968
Financing cash outflows from financing leases	244	5,506	8,222	16,606
Changes in financing lease assets and liabilities for lessor capital expenditure reimbursement	—	(2,727)	—	(9,704)
Total net cash outflows from financing leases	$ 5,194	$ 14,695	$ 25,177	$ 42,870

The aggregate amounts of future minimum lease payments, including community, office, and equipment leases, recognized on the condensed consolidated balance sheet as of September 30, 2023 are as follows (in thousands).

Year Ending December 31,	**Operating Leases**	**Financing Leases**
2023 (three months)	$ 66,197	$ 5,026
2024	258,495	20,213
2025	258,356	6,798
2026	143,912	6,781
2027	145,751	6,029
Thereafter	330,095	26,302
Total	1,202,806	71,149
Purchase option liability and non-cash gain on future sale of property	—	145,136
Imputed interest and variable lease payments	(289,810)	(64,491)
Total lease obligations	$ 912,996	$ 151,794

Welltower Lease Amendments

During the three months ended June 30, 2023, the Company entered into amendments to its existing lease arrangements with Welltower Inc. ("Welltower") pursuant to which the Company continues to lease 74 communities. In connection with the amendments, the Company extended the maturity of one lease involving 39 communities from December 31, 2026 until June 30, 2032. As a result, the Company's amended lease arrangements provide that the current term for 69 of the communities will expire on June 30, 2032 and the current term for five of the communities will expire on December 31, 2024. The amendments did not change the amount of required lease payments over the previous term of the leases or the annual lease escalators. In addition, Welltower agreed to make available a pool in the aggregate amount of up to $17.0 million to fund costs associated with certain capital expenditure projects for 69 of the communities. Upon reimbursement of such expenditures, the annual minimum rent under the lease will prospectively increase by the amount of the reimbursement multiplied by the sum of the then current SOFR (subject to a floor of 3.0%) and a margin of 4.0%, and such amount will escalate annually consistent with the minimum rent escalation provisions of the 39 community lease.

The amended leases for 35 of such communities were prospectively classified as operating leases subsequent to the amendment. The prospective change in classification of such lease costs to operating lease expense will result in a $19.3 million increase in cash lease payments for operating leases for 2023 and an offsetting decrease in cash lease payments for financing leases. For the three and nine months ended September 30, 2023, the classification of such lease costs as operating lease expense resulted in a $7.2 million and $12.0 million, respectively, increase in cash lease payments for operating leases and an offsetting decrease in cash lease payments for financing leases. The amendment to the lease arrangements increased the right-of-use assets and lease obligations recognized on the Company's condensed consolidated balance sheet each by $122.3 million.

The amendments replaced the net worth covenant provisions requiring the Company to maintain at least $400.0 million of stockholders' equity with a consolidated tangible net worth covenant requiring the Company to maintain at least $2.0 billion of tangible net worth, generally calculated as stockholders' equity plus accumulated depreciation and amortization less intangible assets and further adjusted for certain other items. Such calculation is generally similar to the tangible net worth covenants within certain of the Company’s long-term debt documents. So long as it maintains tangible net worth as defined in the leases of at least $1.5 billion, the Company will also be able to cure any breach by posting collateral with Welltower.

8. Investment in Unconsolidated Ventures

As of September 30, 2023, the Company owns a 20% equity interest, and affiliates of HCA Healthcare Inc. own an 80% interest, in a health care services venture (the "HCS Venture"), which operates home health and hospice agencies in the United States. The Company's interest in the HCS Venture is accounted for under the equity method of accounting. The carrying amount of the Company's investment in the unconsolidated venture and maximum exposure to loss as a result of the Company's ownership interest in the HCS Venture is $54.1 million, which is included in investment in unconsolidated ventures on the accompanying unaudited condensed consolidated balance sheet as of September 30, 2023. As of September 30, 2023, the Company is not required to provide financial support, through a liquidity arrangement or otherwise, to the HCS Venture. During the three months ended September 30, 2023, the Company contributed $7.5 million to the HCS Venture.

9. Litigation

The Company has been and is currently involved in litigation and claims incidental to the conduct of its business, which it believes are generally comparable to other companies in the senior living and healthcare industries, including, but not limited to, putative class action claims from time to time regarding staffing at the Company's communities and compliance with consumer protection laws and the Americans with Disabilities Act. Certain claims and lawsuits allege large damage amounts and may require significant costs to defend and resolve. As a result, the Company maintains general liability, professional liability, and other insurance policies in amounts and with coverage and deductibles the Company believes are appropriate, based on the nature and risks of its business, historical experience, availability, and industry standards. The Company's current policies provide for deductibles for each claim and contain various exclusions from coverage. The Company uses its wholly-owned captive insurance company for the purpose of insuring certain portions of its risk retention under its general and professional liability insurance programs. Accordingly, the Company is, in effect, self-insured for claims that are less than the deductible amounts, for claims that exceed the funding level of the Company's wholly-owned captive insurance company, and for claims or portions of claims that are not covered by such policies and/or exceed the policy limits.

The senior living and healthcare industries are continuously subject to scrutiny by governmental regulators, which could result in reviews, audits, investigations, enforcement actions, or litigation related to regulatory compliance matters. In addition, the Company is subject to various government reviews, audits, and investigations to verify compliance with Medicare and Medicaid programs and other applicable laws and regulations. The Centers for Medicare & Medicaid Services has engaged third-party firms to review claims data to evaluate appropriateness of billings. In addition to identifying overpayments, audit contractors can refer suspected violations to government authorities. In addition, states' Attorneys General vigorously enforce consumer protection laws as those laws relate to the senior living industry. An adverse outcome of government scrutiny may result in citations, sanctions, other criminal or civil fines and penalties, the refund of overpayments, payment suspensions, termination of participation in Medicare and Medicaid programs, and damage to the Company's business reputation. The Company's costs to respond to and defend any such audits, reviews, and investigations may be significant.

In June 2020, the Company and several current and former executive officers were named as defendants in a putative class action lawsuit alleging violations of the federal securities laws filed in the federal court for the Middle District of Tennessee. The lawsuit asserted that the defendants made material misstatements and omissions concerning the Company's business, operational and compliance policies, compliance with applicable regulations and statutes, and staffing practices that caused the Company's stock price to be artificially inflated between August 2016 and April 2020. The district court dismissed the lawsuit and entered judgment in favor of the defendants in September 2021, and the plaintiffs did not file an appeal. Between October 2020 and June 2021, alleged stockholders of the Company filed several stockholder derivative lawsuits in the federal courts for the Middle District of Tennessee and the District of Delaware, which were subsequently transferred to the Middle District of Tennessee. The derivative lawsuits are currently pending and assert claims on behalf of the Company against certain current and former officers and directors for alleged breaches of duties owed to the Company. The complaints incorporate substantively similar allegations to the securities lawsuit previously described.

10. Stock-Based Compensation

Grants of restricted stock units and stock awards under the Company's 2014 Omnibus Incentive Plan were as follows.

(in thousands, except weighted average amounts)	Restricted Stock Unit and Stock Award Grants	Weighted Average Grant Date Fair Value	Total Grant Date Fair Value
Three months ended March 31, 2023	3,959	$ 2.97	$ 11,778
Three months ended June 30, 2023	10	$ 2.95	$ 29
Three months ended September 30, 2023	16	$ 4.01	$ 65

11. Earnings Per Share

Potentially dilutive common stock equivalents for the Company include convertible senior notes, warrants, unvested restricted stock, restricted stock units, and prepaid stock purchase contracts.

On October 1, 2021, the Company issued $230.0 million principal amount of 2.00% convertible senior notes due 2026 (the "Notes"). As of September 30, 2023, the maximum number of shares issuable upon settlement of the Notes is 38.3 million (after giving effect to additional shares that would be issuable upon conversion in connection with the occurrence of certain corporate or other events).

On July 26, 2020, the Company issued to Ventas, Inc. ("Ventas") a warrant (the "Warrant") to purchase 16.3 million shares of the Company's common stock, $0.01 par value per share, at a price per share of $3.00. The Warrant is exercisable at Ventas' option at any time and from time to time, in whole or in part, until December 31, 2025. The exercise price and the number of shares issuable on exercise of the Warrant are subject to certain anti-dilution adjustments, including for cash dividends, stock dividends, stock splits, reclassifications, non-cash distributions, certain repurchases of common stock, and business combination transactions.

During the three months ended December 31, 2022, the Company issued 2,875,000 of its 7.00% tangible equity units (the "Units") at a public offering price of $50.00 per Unit for an aggregate offering of $143.8 million. Each Unit is comprised of a prepaid stock purchase contract and a senior amortizing note with an initial principal amount of $8.8996. Unless settled early in accordance with the terms of the instruments, under each purchase contract, the Company is obligated to deliver to the holder on November 15, 2025 a minimum of 12.9341, and a maximum of 15.1976, shares of the Company's common stock depending on the daily volume-weighted average price of its common stock for the 20 trading days preceding the settlement date. As of September 30, 2023, the maximum number of shares issuable upon settlement of the Units' prepaid stock purchase contracts is 43.7 million.

Basic earnings per share ("EPS") is calculated by dividing net income (loss) by the weighted average number of shares of common stock outstanding, after giving effect to the minimum number of shares issuable upon settlement of the prepaid stock purchase contract component of the Units. For both the three and nine months ended September 30, 2023, 37.2 million shares are included in weighted average basic shares outstanding for the minimum number of shares issuable upon settlement of the Units' prepaid stock purchase contracts.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2023	2022	2023	2022
Weighted average common shares outstanding	188,230	186,790	187,950	186,493
Weighted average minimum shares issuable under purchase contracts	37,186	—	37,186	—
Weighted average shares outstanding - basic	225,416	186,790	225,136	186,493

Diluted EPS includes the components of basic EPS and also gives effect to dilutive common stock equivalents. Diluted EPS reflects the potential dilution that could occur if securities or other instruments that are convertible into common stock were exercised or could result in the issuance of common stock. For the purposes of computing diluted EPS, weighted average shares outstanding do not include potentially dilutive securities that are anti-dilutive under the treasury stock method or if-converted method, and performance-based equity awards are included based on the attainment of the applicable performance metrics as of the end of the reporting period. The Company has the following potentially outstanding shares of common stock, which were excluded from the computation of diluted net income (loss) per share attributable to common stockholders in both periods as a result of the net loss.

	As of September 30,	
(in millions)	**2023**	**2022**
Convertible senior notes	38.3	38.3
Warrants	16.3	16.3
Restricted stock and restricted stock units	6.5	5.4
Incremental shares issuable under purchase contracts	6.5	—
Total	67.6	60.0

12. Income Taxes

The difference between the Company's effective tax rate for the three months ended September 30, 2023 and 2022 was primarily due to a decrease in the valuation allowance recorded on operating losses during the three months ended September 30, 2023 as compared to the three months ended September 30, 2022. The difference between the Company's effective tax rate for the nine months ended September 30, 2023 and 2022 was primarily due to a decrease in the tax benefit on the vesting of restricted stock units and restricted stock awards due to a lower market price for the Company's stock for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022.

The Company recorded an aggregate deferred federal, state, and local tax benefit of $12.2 million for the three months ended September 30, 2023, which was partially offset by an increase to the valuation allowance of $10.0 million. The Company recorded an aggregate deferred federal, state, and local tax benefit of $23.0 million for the nine months ended September 30, 2023, which was partially offset by an increase to the valuation allowance of $21.0 million. The Company recorded an aggregate deferred federal, state, and local tax expense of $7.3 million for the three months ended September 30, 2022, which was partially offset by a reduction to the valuation allowance of $6.7 million. The Company recorded an aggregate deferred federal, state, and local tax expense of $52.8 million for the nine months ended September 30, 2022, which was partially offset by a reduction to the valuation allowance of $50.7 million.

The Company evaluates its deferred tax assets each quarter to determine if a valuation allowance is required based on whether it is more likely than not that some portion of the deferred tax asset would not be realized. The Company's valuation allowance as of September 30, 2023 and December 31, 2022 was $446.0 million and $425.0 million, respectively.

The increase in the valuation allowance for both the nine months ended September 30, 2023 and 2022 is the result of current operating losses during the periods and by the anticipated reversal of future tax liabilities offset by future tax deductions.

The Company recorded interest charges related to its tax contingency reserve for cash tax positions for the three and nine months ended September 30, 2023 and 2022 which are included in income tax expense or benefit for the period. As of September 30, 2023, tax returns for years 2019 through 2022 are subject to future examination by tax authorities. In addition, the net operating losses from prior years are subject to adjustment under examination.

13. Supplemental Disclosure of Cash Flow Information

During the period from January 1, 2022 through September 30, 2023, the Company disposed of three owned communities, the Company's triple-net lease obligations on four communities were terminated (including through the acquisition of one formerly leased community), and the Company acquired the remaining 50% equity interest in one community.

On May 1, 2023, the Company completed the sale of its one remaining entrance fee community, which was included within the Company's CCRCs segment. The Company received cash proceeds of $12.7 million, net of $29.6 million in mortgage debt repaid and transaction costs, and recognized a net gain on sale of communities of $36.3 million.

On November 1, 2023, the Company completed the sale of a CCRC, for which the Company received cash proceeds of $12.7 million, net of transaction costs, at closing. As of September 30, 2023, the community was classified as held for sale within the CCRCs segment, resulting in $12.7 million of property, plant and equipment and leasehold intangibles being presented as assets held for sale within the condensed consolidated balance sheets.

The Company was eligible to claim the employee retention credit for certain of its associates under the Coronavirus Aid, Relief, and Economic Security Act of 2020 and subsequent legislation. During the years ended December 31, 2022 and 2021, the Company recognized $9.4 million and $9.9 million, respectively, of employee retention credits on wages paid from March 12, 2020 to December 31, 2021 within other operating income, for which the Company has received $19.3 million in cash through September 30, 2023. During the nine months ended September 30, 2023 and 2022, the Company received cash of $14.7 million and $1.2 million, respectively, for such employee retention credits.

(in thousands)	Nine Months Ended September 30, 2023	2022
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$ 171,317	$ 142,242
Income taxes paid, net of refunds	$ (1,233)	$ 581
Capital expenditures, net of related payables:		
Capital expenditures - non-development, net	$ 174,975	$ 128,831
Capital expenditures - development, net	1,309	4,357
Capital expenditures - non-development - reimbursable from lessor	2,244	18,927
Trade accounts payable	(3,828)	(1,543)
Net cash paid	$ 174,700	$ 150,572
Acquisition of assets, net of cash acquired:		
Prepaid expenses and other assets, net	$ 23	$ —
Property, plant and equipment and leasehold intangibles, net	6,872	4
Investment in unconsolidated ventures	(3,395)	—
Financing lease obligations	—	6,000
Other liabilities	(384)	—
Other non-operating loss (income)	(2,542)	—
Net cash paid	$ 574	$ 6,004
Proceeds from sale of assets, net:		
Prepaid expenses and other assets, net	$ (1,660)	$ (1,301)
Assets held for sale	—	(3,668)
Property, plant and equipment and leasehold intangibles, net	(23,733)	(100)
Refundable fees and deferred revenue	9,347	—
Other liabilities	10,021	(164)
Non-operating (gain) loss on sale of assets, net	(860)	(611)
Loss (gain) on sale of communities, net	(36,296)	—
Net cash received	$ (43,181)	$ (5,844)
Supplemental Schedule of Non-cash Operating, Investing, and Financing Activities:		
Non-cash lease transactions, net:		
Property, plant and equipment and leasehold intangibles, net	$ (51,542)	$ 11,067
Operating lease right-of-use assets	216,492	11,219
Financing lease obligations	88,844	(6,307)
Operating lease obligations	(253,794)	(15,979)
Net	$ —	$ —

Restricted cash consists principally of deposits as security for self-insured retention risk under workers' compensation programs and property insurance programs, escrow deposits for real estate taxes, property insurance, and capital expenditures, and debt service reserve accounts required by certain lenders under mortgage debt agreements. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets that sums to the total of the same such amounts shown in the condensed consolidated statements of cash flows.

(in thousands)	September 30, 2023	December 31, 2022
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	$ 331,716	$ 398,850
Restricted cash	41,265	27,735
Long-term restricted cash	30,295	47,963
Total cash, cash equivalents, and restricted cash	$ 403,276	$ 474,548

14. Segment Information

The Company has three reportable segments: Independent Living; Assisted Living and Memory Care; and CCRCs. Operating segments are defined as components of an enterprise that engage in business activities from which it may earn revenues and incur expenses; for which separate financial information is available; and whose operating results are regularly reviewed by the chief operating decision maker to assess the performance of the individual segment and make decisions about resources to be allocated to the segment.

Independent Living. The Company's Independent Living segment includes owned or leased communities that are primarily designed for middle to upper income seniors who desire to live in a residential setting that feels like home, without the efforts of ownership. The majority of the Company's independent living communities consist of both independent and assisted living units in a single community, which allows residents to age-in-place by providing them with a broad continuum of senior independent and assisted living services to accommodate their changing needs.

Assisted Living and Memory Care. The Company's Assisted Living and Memory Care segment includes owned or leased communities that offer housing and 24-hour assistance with activities of daily living for the Company's residents. The Company's assisted living and memory care communities include both freestanding, multi-story communities, as well as smaller, freestanding, single story communities. The Company also provides memory care services at freestanding memory care communities that are specially designed for residents with Alzheimer's disease and other dementias.

CCRCs. The Company's CCRCs segment includes large owned or leased communities that offer a variety of living arrangements and services to accommodate a broad spectrum of physical ability and healthcare needs. Most of the Company's CCRCs have independent living, assisted living, memory care, and skilled nursing available on one campus.

All Other. All Other includes communities operated by the Company pursuant to management agreements. Under the management agreements for these communities, the Company receives management fees as well as reimbursement of expenses it incurs on behalf of the owners.

The following tables set forth selected segment financial data.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2023	2022	2023	2022
Revenue and other operating income:				
Independent Living[(1)]	$ 141,449	$ 137,626	$ 422,993	$ 388,769
Assisted Living and Memory Care[(1)]	496,232	491,818	1,475,322	1,365,172
CCRCs[(1)]	82,065	87,563	251,446	249,215
All Other	37,545	40,451	111,585	121,638
Total revenue and other operating income	$ 757,291	$ 757,458	$ 2,261,346	$ 2,124,794

(in thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Segment operating income:[2]				
Independent Living	$ 44,702	$ 46,395	$ 137,896	$ 122,788
Assisted Living and Memory Care	126,731	130,039	375,940	294,490
CCRCs	10,902	15,063	36,589	33,940
All Other	2,566	2,967	7,653	9,625
Total segment operating income	184,901	194,464	558,078	460,843
General and administrative expense (including non-cash stock-based compensation expense)	43,076	41,331	137,021	128,209
Facility operating lease expense	53,145	41,317	149,784	124,419
Depreciation and amortization	85,932	86,922	255,314	259,229
Asset impairment	9,086	5,688	9,606	17,362
Loss (gain) on sale of communities, net	—	—	(36,296)	—
Income (loss) from operations	$ (6,338)	$ 19,206	$ 42,649	$ (68,376)

(in thousands)	As of September 30, 2023	As of December 31, 2022
Total assets:		
Independent Living[3]	$ 1,223,941	$ 1,267,825
Assisted Living and Memory Care	3,366,695	3,329,516
CCRCs	631,255	664,502
Corporate and All Other	607,178	675,219
Total assets	$ 5,829,069	$ 5,937,062

(1) All revenue and other operating income is earned from external third parties in the United States.

(2) Segment operating income is defined as segment revenues and other operating income less segment facility operating expenses (excluding facility depreciation and amortization) and costs incurred on behalf of managed communities.

(3) The Company's Independent Living segment had a carrying amount of goodwill of $27.3 million as of both September 30, 2023 and December 31, 2022.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements in this Quarterly Report on Form 10-Q may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to various risks and uncertainties and include all statements that are not historical statements of fact and those regarding our intent, belief or expectations. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may," "will," "should," "could," "would," "potential," "intend," "expect," "endeavor," "seek," "anticipate," "estimate," "believe," "project," "predict," "continue," "plan," "target," or other similar words or expressions, and include statements regarding our expected financial and operational results. These forward-looking statements are based on certain assumptions and expectations, and our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Although we believe that expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our assumptions or expectations will be attained and actual results and performance could differ materially from those projected. Factors which could have a material adverse effect on our operations and future prospects or which could cause events or circumstances to differ from the forward-looking statements include, but are not limited to, the impacts of the COVID-19 pandemic, including on the nation's economy and debt and equity markets and the local economies in our markets, and on us and our business, results of operations, cash flow, revenue, expenses, liquidity, and our strategic initiatives, including plans for future growth, which will depend on many factors, some of which cannot be foreseen, including the pace and consistency of recovery from the pandemic and any resurgence or variants of the disease; the frequency and magnitude of legal actions and liability claims that may arise due to COVID-19 or our response efforts; events which adversely affect the ability of seniors to afford resident fees, including downturns in the economy, housing market, consumer confidence, or the equity markets and unemployment among resident family members; changes in reimbursement rates, methods, or timing under governmental reimbursement programs including the Medicare and Medicaid programs; the effects of senior housing construction and development, lower industry occupancy, and increased competition; conditions of housing markets, regulatory changes, acts of nature, and the effects of climate change in geographic areas where we are concentrated; terminations of our resident agreements and vacancies in the living spaces we lease; failure to maintain the security and functionality of our information systems, to prevent a cybersecurity attack or breach, or to comply with applicable privacy and consumer protection laws, including HIPAA; our ability to complete our capital expenditures in accordance with our plans; our ability to identify and pursue development, investment, and acquisition opportunities and our ability to successfully integrate acquisitions; competition for the acquisition of assets; our ability to complete pending or expected disposition, acquisition, or other transactions on agreed upon terms or at all, including in respect of the satisfaction of closing conditions, the risk that regulatory approvals are not obtained or are subject to unanticipated conditions, and uncertainties as to the timing of closing, and our ability to identify and pursue any such opportunities in the future; risks related to the implementation of our strategy, including initiatives undertaken to execute on our strategic priorities and their effect on our results; limits on our ability to use net operating loss carryovers to reduce future tax payments; delays in obtaining regulatory approvals; disruptions in the financial markets or decreases in the appraised values or performance of our communities that affect our ability to obtain financing or extend or refinance debt as it matures and our financing costs; our ability to generate sufficient cash flow to cover required interest, principal, and long-term lease payments and to fund our planned capital projects; the effect of any non-compliance with any of our debt or lease agreements (including the financial or other covenants contained therein), including the risk of lenders or lessors declaring a cross default in the event of our non-compliance with any such agreements and the risk of loss of our property securing leases and indebtedness due to any resulting lease terminations and foreclosure actions; the effect of our indebtedness and long-term leases on our liquidity and our ability to operate our business; increases in market interest rates that increase the costs of our debt obligations; our ability to obtain additional capital on terms acceptable to us; departures of key officers and potential disruption caused by changes in management; increased competition for, or a shortage of, associates (including due to general labor market conditions), wage pressures resulting from increased competition, low unemployment levels, minimum wage increases and changes in overtime laws, and union activity; environmental contamination at any of our communities; failure to comply with existing environmental laws; an adverse determination or resolution of complaints filed against us, including putative class action complaints; costs to respond to, and adverse determinations resulting from, government reviews, audits and investigations; the cost and difficulty of complying with increasing and evolving regulation; changes in, or our failure to comply with, employment-related laws and regulations; unanticipated costs to comply with legislative or regulatory developments; the risks associated with current global economic conditions and general economic factors such as inflation, the consumer price index, commodity costs, fuel and other energy costs, competition in the labor market, costs of salaries, wages, benefits, and insurance, interest rates, and tax rates; the impact of seasonal contagious illness or an outbreak of COVID-19 or other contagious disease in the markets in which we operate; actions of activist stockholders, including a proxy contest; as well as other risks detailed from time to time in our filings with the Securities and Exchange Commission, including those set forth under "Item 1A. Risk Factors" contained in our Annual Report on Form 10-K for the year ended December 31, 2022. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in such SEC filings. Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect management's views as of the date of this Quarterly Report on Form 10-Q. We cannot guarantee future results, levels of activity, performance or achievements, and, except as required by law, we expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements contained in this Quarterly Report on Form 10-Q to reflect any change in our expectations with regard thereto or change in events, conditions, or circumstances on which any statement is based.

Unless otherwise specified, references to "Brookdale," "we," "us," "our," or "the Company" in this Quarterly Report on Form 10-Q mean Brookdale Senior Living Inc. together with its consolidated subsidiaries.

Overview

We are the nation's premier operator of senior living communities, operating and managing 672 communities in 41 states as of September 30, 2023, with the ability to serve more than 60,000 residents. We offer our residents access to a broad continuum of services across the most attractive sectors of the senior living industry. We operate and manage independent living, assisted living, memory care, and continuing care retirement communities ("CCRCs").

Our senior living communities and our comprehensive network help to provide seniors with care, connection, and services in an environment that feels like home. Our expertise in healthcare, hospitality, and real estate provides residents with opportunities to improve wellness, pursue passions, make new friends, and stay connected with loved ones. By providing residents with a range of service options as their needs change, we provide greater continuity of care, enabling seniors to age-in-place, which we believe enables them to maintain residency with us for a longer period of time. The ability of residents to age-in-place is also beneficial to our residents' families who are concerned with care decisions for their elderly relatives.

Resident Fee Increases

The rates we charge our residents are highly dependent on local market conditions and the competitive environment in which the communities operate. As the senior living industry rebuilds occupancy lost due to the pandemic, we continue to experience a highly competitive environment for new residents. Generally, we have increased our monthly rates, including rates for care and other services, for private pay residents on an annual basis beginning January 1 each year.

We made the annual rate adjustment effective January 1, 2023 for our in-place private pay residents. The increase was again higher than our typical annual rate adjustment in order to help offset our recent increased costs as a result of labor pressures, high inflation, and increased interest rates, as described below. As a result of rate and occupancy increases, consolidated RevPAR (as defined below) for the nine months ended September 30, 2023 increased 11.8% compared to the prior year period. Due to the competitive environment for new residents in our recovering industry, our rate adjustments could slow our occupancy recovery progress or result in a decrease in occupancy in our communities. Any use of promotional or other discounting would offset a portion of such rate adjustments in our RevPAR and RevPOR (as defined below) results. In addition, our rate adjustments may not be sufficient to offset our increased costs in the event that labor expenses, inflation, or interest rates grow at rates higher than we anticipated.

Macroeconomic Conditions

A confluence of macroeconomic conditions, including an intensely competitive labor environment and higher inflation and interest rates, has continued to affect our operations during 2023.

Labor Pressures

Labor costs comprise approximately two-thirds of our total facility operating expense. We began to experience pressures associated with the intensely competitive labor environment during 2021, which have continued into 2023. Labor pressures have resulted in higher-than-typical associate turnover and wage growth, and we have experienced difficulty in filling open positions timely. We have increased our recruiting efforts to fill existing open positions, resulting in increasing the size of our workforce since the beginning of 2022. We continue to review wage rates in our markets and make competitive adjustments. Beginning in 2021, to cover existing open positions, we needed to rely on more expensive premium labor, primarily contract labor and overtime. From its peak in December 2021 to September 2023, we have decreased our monthly contract labor expense by approximately 90%, while maintaining focus on resident satisfaction and high-quality care. We continue to work to reduce our reliance on premium labor.

The labor component of our facility operating expense in our same community portfolio increased 1.3% during both the three and nine months ended September 30, 2023 compared to the prior year periods. The increases primarily resulted from wage rate adjustments, partially offset by a decrease in the use of premium labor, primarily contract labor, as the Company's associate turnover has declined and the size of the Company's workforce has increased. We may continue to experience labor cost pressure as a result of the labor environment conditions described above. Continued increased competition for, or a shortage of, nurses or other associates and general inflationary pressures have required and may require that we enhance our pay and benefits package to compete effectively for such associates.

Inflation

Our non-labor facility operating expense comprises approximately one-third of our total facility operating expense and is subject to inflationary pressures. The United States consumer price index increased more than 10% since December 2021. We mitigated a portion of an increase in food costs with the scale benefit of a higher number of residents, along with appropriate product substitution. We mitigated a portion of rising utility costs through sustainability investments we made in recent years, such as lighting retrofits and water consumption projects. Despite our mitigation efforts and with higher occupancy, for the three and nine months ended September 30, 2023 our non-labor facility operating expense in our same community portfolio increased 5.7% and 8.2%, respectively, compared to the prior year period. For the remainder of 2023, we may continue to experience inflationary pressures.

Interest Rates

As of September 30, 2023, we had approximately $1.5 billion of long-term variable rate debt outstanding which is indexed to the Secured Overnight Financing Rate ("SOFR") plus a weighted average margin of 239 basis points. Accordingly, our annual interest expense related to long-term variable rate debt is directly affected by movements in SOFR. The SOFR steadily increased since the beginning of 2022, ending the period more than 500 basis points higher than year-end 2021. Approximately 93% of our long-term variable rate debt is subject to interest rate cap or swap agreements, which had a weighted average fixed interest rate of 4.14% and a weighted average remaining term of one year as of September 30, 2023. Many of our long-term variable rate debt instruments include provisions that obligate us to obtain additional interest rate cap agreements upon the maturity of the existing interest rate cap agreements. The costs of obtaining additional interest rate cap agreements may offset the benefits of our existing interest rate cap agreements. For the three and nine months ended September 30, 2023, our debt interest expense increased 29.2% and 41.6%, respectively, compared to the prior year period, substantially all due to an increase in our interest expense associated with our long-term variable rate debt. Interest earned on our cash, cash equivalents, and marketable securities partially offset such increased interest expense.

Community Transactions

On May 1, 2023, we completed the sale of our one remaining entrance fee community. We received cash proceeds of $12.7 million, net of $29.6 million in mortgage debt repaid and transaction costs, and recognized a net gain on sale of communities of $36.3 million.

On November 1, 2023, we completed the sale of a CCRC community, for which we received cash proceeds of $12.7 million, net of transaction costs, at closing.

We elected not to exercise our lease renewal option under the current terms for a master lease which expires on December 31, 2023. Pursuant to the master lease, as of September 30, 2023, we continued to lease 35 communities (1,468 units). In August 2023, we entered into a new master lease agreement pursuant to which we will continue to lease 10 of such communities (458 units) following the expiration of the existing lease. In October 2023, the new master lease agreement was amended to include seven additional communities (277 units) from the existing lease arrangement. The new lease contains purchase options on the 17 communities which become exercisable at the beginning of the final lease year. The term of the new lease will expire on December 31, 2029, subject to earlier termination if we exercise the purchase options. The landlord has also agreed to make available a pool to fund costs associated with certain capital expenditure projects in connection with the new lease.

Welltower Lease Amendments

During the three months ended June 30, 2023, we entered into amendments to our existing lease arrangements with Welltower Inc. ("Welltower") pursuant to which we continue to lease 74 communities. In connection with the amendments, we extended the maturity of one lease involving 39 communities from December 31, 2026 until June 30, 2032. As a result, our amended lease arrangements provide that the current term for 69 of the communities will expire on June 30, 2032 and the current term for five of the communities will expire on December 31, 2024. The amendments did not change the amount of required lease payments over the previous term of the leases or the annual lease escalators. In addition, Welltower agreed to make available a pool in the aggregate amount of up to $17.0 million to fund costs associated with certain capital expenditure projects for 69 of the communities. Upon reimbursement of such expenditures, the annual minimum rent under the lease will prospectively increase by the amount of the reimbursement multiplied by the sum of the then current SOFR (subject to a floor of 3.0%) and a margin of 4.0%, and such amount will escalate annually consistent with the minimum rent escalation provisions of the 39 community lease.

The amended leases for 35 of such communities were prospectively classified as operating leases subsequent to the amendment. The prospective change in classification of such lease costs to operating lease expense will result in a $19.3 million increase in cash lease payments for operating leases for 2023 and an offsetting decrease in cash lease payments for financing leases. For the three and nine months ended September 30, 2023, the classification of such lease costs as operating lease expense resulted in a $7.2 million and $12.0 million, respectively, increase in cash lease payments for operating leases and an offsetting decrease in cash lease payments for financing leases.

The amendments replaced the net worth covenant provisions requiring us to maintain at least $400.0 million of stockholders' equity with a consolidated tangible net worth covenant requiring us to maintain at least $2.0 billion of tangible net worth, generally calculated as stockholders' equity plus accumulated depreciation and amortization less intangible assets and further adjusted for certain other items. Such calculation is generally similar to the tangible net worth covenants within certain of our long-term debt documents. So long as we maintain tangible net worth as defined in the leases of at least $1.5 billion, we will also be able to cure any breach by posting collateral with Welltower.

Results of Operations

As of September 30, 2023, our total operations included 672 communities with a capacity to serve more than 60,000 residents. As of that date, we owned 346 communities (31,385 units), leased 295 communities (20,572 units), and managed 31 communities (4,685 units). The following discussion should be read in conjunction with our condensed consolidated financial statements and the related notes, which are included in "Item 1. Financial Statements" of this Quarterly Report on Form 10-Q. The results of operations for any particular period are not necessarily indicative of results for any future period.

We use the operating measures described below in connection with operating and managing our business and reporting our results of operations.

- Senior housing operating results and data presented on a **same community basis** reflect results and data of a consistent population of communities by excluding the impact of changes in the composition of our portfolio of communities. The operating results exclude natural disaster expense and related insurance recoveries. We define our same community portfolio as communities consolidated and operational for the full period in both comparison years. Consolidated communities excluded from the same community portfolio include communities acquired or disposed of since the beginning of the prior year, communities classified as assets held for sale, certain communities planned for disposition, certain communities that have undergone or are undergoing expansion, redevelopment, and repositioning projects, and certain communities that have experienced a casualty event that significantly impacts their operations. Our management uses same community operating results and data for decision making, and we believe such results and data provide useful information to investors, because it enables comparisons of revenue, expense, and other operating measures for a consistent portfolio over time without giving effect to the impacts of communities that were not consolidated and operational for the comparison periods, communities acquired or disposed during the comparison periods (or planned for disposition), and communities with results that are or likely will be impacted by completed or in-process development-related capital expenditure projects.

- **RevPAR**, or average monthly senior housing resident fee revenue per available unit, is defined as resident fee revenue for the corresponding portfolio for the period (excluding revenue for private duty services provided to seniors living outside of our communities and entrance fee amortization), divided by the weighted average number of available units in the corresponding portfolio for the period, divided by the number of months in the period. We measure RevPAR at the consolidated level, as well as at the segment level with respect to our Independent Living, Assisted Living and Memory Care, and CCRCs segments. Our management uses RevPAR for decision making, and we believe the measure provides useful information to investors, because the measure is an indicator of senior housing resident fee revenue performance that reflects the impact of both senior housing occupancy and rate.

- **RevPOR**, or average monthly senior housing resident fee revenue per occupied unit, is defined as resident fee revenue for the corresponding portfolio for the period (excluding revenue for private duty services provided to seniors living outside of our communities and entrance fee amortization), divided by the weighted average number of occupied units in the corresponding portfolio for the period, divided by the number of months in the period. We measure RevPOR at the consolidated level, as well as at the segment level with respect to our Independent Living, Assisted Living and Memory

Care, and CCRCs segments. Our management uses RevPOR for decision making, and we believe the measure provides useful information to investors, because it reflects the average amount of senior housing resident fee revenue we derive from an occupied unit per month without factoring occupancy rates. RevPOR is a significant driver of our senior housing revenue performance.

- Weighted average occupancy rate reflects the percentage of units at our owned and leased communities being utilized by residents over a reporting period. We measure occupancy rates with respect to our Independent Living, Assisted Living and Memory Care, and CCRCs segments, and also measure this metric both on a consolidated senior housing and a same community basis. Our management uses weighted average occupancy, and we believe the measure provides useful information to investors, because it is a significant driver of our senior housing revenue performance.

This section includes the non-GAAP performance measure Adjusted EBITDA. See "Non-GAAP Financial Measures" below for our definition of the measure and other important information regarding such measure, including reconciliations to the most comparable measure in accordance with generally accepted accounting principles in the United States ("GAAP").

Comparison of Three Months Ended September 30, 2023 and 2022

Summary Operating Results

The following table summarizes our overall operating results for the three months ended September 30, 2023 and 2022.

	Three Months Ended September 30,		Increase (Decrease)	
(in thousands)	**2023**	**2022**	**Amount**	**Percent**
Total resident fees and management fees revenue	$ 719,689	$ 653,215	$ 66,474	10.2 %
Other operating income	2,623	66,759	(64,136)	(96.1) %
Facility operating expense	537,411	525,510	11,901	2.3 %
Net income (loss)	(48,811)	(28,374)	20,437	72.0 %
Adjusted EBITDA	80,220	106,851	(26,631)	(24.9) %

The increase in total resident fees and management fees revenue was primarily attributable to a 10.8% increase in same community RevPAR, comprised of an 8.9% increase in same community RevPOR and a 140 basis point increase in same community weighted average occupancy.

During the three months ended September 30, 2023 and 2022, we recognized $2.6 million and $66.8 million, respectively, of government grants and employee retention credits as other operating income based on our estimates of our satisfaction of the conditions of the grants and credits during the period, including for the three months ended September 30, 2022, $61.1 million of grants from the Phase 4 general distribution of the Public Health and Social Services Emergency Fund ("Provider Relief Fund") administered by the U.S. Department of Health and Human Services.

The increase in facility operating expense was primarily attributable to a 2.8% increase in same community facility operating expense primarily resulting from broad inflationary pressure and higher third-party referral source costs associated with resident move-ins, partially offset by a decrease in the use of premium labor, primarily contract labor.

The increase in net loss was primarily attributable to a decrease in other operating income of $64.1 million, an increase in debt interest expense, and an increase in facility operating expense compared to the prior year period, partially offset by the increase in resident fee revenue.

The decrease in Adjusted EBITDA was primarily attributable to the decrease in other operating income, the change in classification of $12.8 million of lease payments for 51 communities as cash facility operating lease payments as a result of lease amendments subsequent to the prior year period, and the increase in facility operating expense, partially offset by the increase in resident fee revenue.

Operating Results - Senior Housing Segments

The following table summarizes the operating results and data of our three senior housing segments (Independent Living, Assisted Living and Memory Care, and CCRCs) on a combined basis for the three months ended September 30, 2023 and 2022, including operating results and data on a same community basis. See management's discussion and analysis of the operating results on an individual segment basis on the following pages.

(in thousands, except communities, units, occupancy, RevPAR, and RevPOR)	**Three Months Ended September 30,**		**Increase (Decrease)**	
	2023	**2022**	**Amount**	**Percent**
Resident fees	$ 717,123	$ 650,248	$ 66,875	10.3 %
Other operating income	$ 2,623	$ 66,759	$ (64,136)	(96.1) %
Facility operating expense	$ 537,411	$ 525,510	$ 11,901	2.3 %
Number of communities (period end)	641	641	—	— %
Total average units	51,960	52,158	(198)	(0.4) %
RevPAR	$ 4,596	$ 4,150	$ 446	10.7 %
Occupancy rate (weighted average)	77.6 %	76.4 %	120 bps	n/a
RevPOR	$ 5,919	$ 5,432	$ 487	9.0 %
Same Community Operating Results and Data				
Resident fees	$ 702,703	$ 634,205	$ 68,498	10.8 %
Other operating income	$ 2,405	$ 64,997	$ (62,592)	(96.3) %
Facility operating expense	$ 524,283	$ 509,969	$ 14,314	2.8 %
Number of communities	632	632	—	— %
Total average units	51,051	51,052	(1)	— %
RevPAR	$ 4,588	$ 4,141	$ 447	10.8 %
Occupancy rate (weighted average)	77.9 %	76.5 %	140 bps	n/a
RevPOR	$ 5,892	$ 5,410	$ 482	8.9 %

Independent Living Segment

The following table summarizes the operating results and data for our Independent Living segment for the three months ended September 30, 2023 and 2022. All 68 of the communities in our Independent Living segment are included within our same community portfolio.

(in thousands, except communities, units, occupancy, RevPAR, and RevPOR)	**Three Months Ended September 30,**		**Increase (Decrease)**	
	2023	**2022**	**Amount**	**Percent**
Resident fees	$ 141,234	$ 128,106	$ 13,128	10.2 %
Other operating income	$ 215	$ 9,520	$ (9,305)	(97.7)%
Facility operating expense	$ 96,747	$ 91,231	$ 5,516	6.0 %
Number of communities (period end)	68	68	—	— %
Total average units	12,569	12,569	—	— %
RevPAR	$ 3,746	$ 3,397	$ 349	10.3 %
Occupancy rate (weighted average)	79.6 %	78.3 %	130 bps	n/a
RevPOR	$ 4,705	$ 4,337	$ 368	8.5 %

The increase in the segment's resident fees was primarily attributable to an increase in the segment's RevPAR, comprised of an 8.5% increase in RevPOR and a 130 basis point increase in weighted average occupancy. The increase in the segment's RevPOR was primarily the result of the current year rate increase. The increase in the segment's weighted average occupancy primarily reflects the impact of our execution on key initiatives to rebuild occupancy lost due to the pandemic.

The increase in the segment's facility operating expense was primarily attributable to broad inflationary pressure and increased wireless internet access provided for residents, partially offset by a decrease in the use of premium labor.

Assisted Living and Memory Care Segment

The following table summarizes the operating results and data for our Assisted Living and Memory Care segment for the three months ended September 30, 2023 and 2022, including operating results and data on a same community basis.

(in thousands, except communities, units, occupancy, RevPAR, and RevPOR)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Increase (Decrease) Amount	Increase (Decrease) Percent
Resident fees	$ 494,014	$ 442,097	$ 51,917	11.7 %
Other operating income	$ 2,218	$ 49,721	$ (47,503)	(95.5) %
Facility operating expense	$ 369,501	$ 361,779	$ 7,722	2.1 %
Number of communities (period end)	555	554	1	0.2 %
Total average units	34,480	34,398	82	0.2 %
RevPAR	$ 4,769	$ 4,281	$ 488	11.4 %
Occupancy rate (weighted average)	77.6 %	76.2 %	140 bps	n/a
RevPOR	$ 6,148	$ 5,621	$ 527	9.4 %
Same Community Operating Results and Data				
Resident fees	$ 488,071	$ 438,277	$ 49,794	11.4 %
Other operating income	$ 2,152	$ 49,187	$ (47,035)	(95.6) %
Facility operating expense	$ 364,835	$ 357,924	$ 6,911	1.9 %
Number of communities	548	548	—	— %
Total average units	34,168	34,169	(1)	— %
RevPAR	$ 4,761	$ 4,276	$ 485	11.3 %
Occupancy rate (weighted average)	77.6 %	76.2 %	140 bps	n/a
RevPOR	$ 6,134	$ 5,613	$ 521	9.3 %

The increase in the segment's resident fees was primarily attributable to an increase in the segment's same community RevPAR, comprised of a 9.3% increase in same community RevPOR and a 140 basis point increase in same community weighted average occupancy. The increase in the segment's same community RevPOR was primarily the result of the current year rate increase. The increase in the segment's same community weighted average occupancy primarily reflects the impact of our execution on key initiatives to rebuild occupancy lost due to the pandemic.

The increase in the segment's facility operating expense was primarily attributable to an increase in the segment's same community facility operating expense primarily resulting from broad inflationary pressure and higher third-party referral source costs associated with resident move-ins, partially offset by a decrease in the use of premium labor, primarily contract labor.

CCRCs Segment

The following table summarizes the operating results and data for our CCRCs segment for the three months ended September 30, 2023 and 2022, including operating results and data on a same community basis.

	Three Months Ended September 30,		Increase (Decrease)	
(in thousands, except communities, units, occupancy, RevPAR, and RevPOR)	2023	2022	Amount	Percent
Resident fees	$ 81,875	$ 80,045	$ 1,830	2.3 %
Other operating income	$ 190	$ 7,518	$ (7,328)	(97.5) %
Facility operating expense	$ 71,163	$ 72,500	$ (1,337)	(1.8) %
Number of communities (period end)	18	19	(1)	(5.3) %
Total average units	4,911	5,191	(280)	(5.4) %
RevPAR	$ 5,557	$ 5,105	$ 452	8.9 %
Occupancy rate (weighted average)	73.2 %	73.3 %	(10) bps	n/a
RevPOR	$ 7,594	$ 6,966	$ 628	9.0 %
Same Community Operating Results and Data				
Resident fees	$ 73,398	$ 67,822	$ 5,576	8.2 %
Other operating income	$ 38	$ 6,290	$ (6,252)	(99.4) %
Facility operating expense	$ 62,540	$ 60,880	$ 1,660	2.7 %
Number of communities	16	16	—	— %
Total average units	4,314	4,314	—	— %
RevPAR	$ 5,671	$ 5,240	$ 431	8.2 %
Occupancy rate (weighted average)	74.8 %	74.2 %	60 bps	n/a
RevPOR	$ 7,584	$ 7,067	$ 517	7.3 %

The increase in the segment's resident fees was primarily attributable to a 7.3% increase in the segment's same community RevPOR, which was primarily the result of the current year rate increase. The increase in the segment's resident fees was partially offset by the disposition of one community since the beginning of the prior year period.

The decrease in the segment's facility operating expense was primarily attributable to the disposition of one community since the beginning of the prior year period. The decrease in the segment's facility operating expense was partially offset by an increase in the segment's same community facility operating expense, including a $0.9 million, or 2.1%, increase in the segment's same community labor expense.

Operating Results - Other Income and Expense Items

The following table summarizes other income and expense items in our operating results for the three months ended September 30, 2023 and 2022.

	Three Months Ended September 30,		Increase (Decrease)	
(in thousands)	**2023**	**2022**	**Amount**	**Percent**
Management fees	$ 2,566	$ 2,967	$ (401)	(13.5) %
Reimbursed costs incurred on behalf of managed communities	34,979	37,484	(2,505)	(6.7) %
Costs incurred on behalf of managed communities	34,979	37,484	(2,505)	(6.7) %
General and administrative expense	43,076	41,331	1,745	4.2 %
Facility operating lease expense	53,145	41,317	11,828	28.6 %
Depreciation and amortization	85,932	86,922	(990)	(1.1) %
Asset impairment	9,086	5,688	3,398	59.7 %
Interest income	6,323	2,192	4,131	188.5 %
Interest expense	59,412	49,873	9,539	19.1 %
Equity in earnings (loss) of unconsolidated ventures	(1,426)	(2,020)	(594)	(29.4) %
Non-operating gain (loss) on sale of assets, net	—	(56)	(56)	NM
Other non-operating income (loss)	10,166	1,877	8,289	NM
Benefit (provision) for income taxes	1,876	300	1,576	NM

Reimbursed Costs Incurred on Behalf of Managed Communities and Costs Incurred on Behalf of Managed Communities. The decrease in reimbursed costs and costs incurred on behalf of managed communities was primarily attributable to terminations of management agreements subsequent to the beginning of the prior year period and a decrease in the use of premium labor, primarily contract labor.

General and Administrative Expense. The increase in general and administrative expense was primarily attributable to an increase in estimated incentive compensation costs. General and administrative expense includes transaction and organizational restructuring costs of $0.1 million and $0.3 million for the three months ended September 30, 2023 and 2022, respectively. Transaction costs include those directly related to acquisition, disposition, financing and leasing activity, and are primarily comprised of legal, finance, consulting, professional fees, and other third-party costs. Organizational restructuring costs include those related to our efforts to reduce general and administrative expense and our senior leadership changes, including severance costs.

Facility Operating Lease Expense. The increase in facility operating lease expense was primarily due to the change in classification of lease costs from financing leases to operating leases as a result of lease amendments subsequent to the prior year period.

Depreciation and Amortization. The decrease in depreciation and amortization expense was primarily due to the change in classification of lease costs from financing leases to operating leases as a result of lease amendments subsequent to the prior year period, partially offset by the completion of community renovations, apartment upgrades, and other major building infrastructure projects for leased communities since the beginning of the prior year period.

Asset Impairment. During the three months ended September 30, 2023, we recorded $9.1 million of non-cash impairment charges, primarily due to the potential disposition of up to five underperforming communities and lower than expected occupancy and decreased future cash flow estimates at certain leased communities. During the three months ended September 30, 2022, we recorded $5.7 million of non-cash impairment charges, primarily for property damage sustained at certain communities, including property damage sustained from Hurricane Ian in September 2022.

Interest Expense. The increase in interest expense was primarily due to an increase in interest expense on long-term debt primarily as a result of increases in variable interest rates and a decrease in the change in the fair value of interest rate derivatives. These changes were partially offset by a decrease in interest expense on financing lease obligations primarily due to the change in classification of lease costs from financing leases to operating leases as a result of lease amendments subsequent to the prior year period.

Other Non-operating Income (Loss). The increase in other non-operating income was primarily due to increased income recognized for insurance recoveries from our property and casualty insurance policies.

Benefit (Provision) for Income Taxes. The difference between our effective tax rate for the three months ended September 30, 2023 and 2022 was primarily due to an decrease in the valuation allowance recorded on operating losses during the three months ended September 30, 2023 as compared to the three months ended September 30, 2022.

We recorded an aggregate deferred federal, state, and local tax benefit of $12.2 million for the three months ended September 30, 2023, which was partially offset by an increase in the valuation allowance of $10.0 million. We recorded an aggregate deferred federal, state, and local tax expense of $7.3 million for the three months ended September 30, 2022, which was partially offset by a reduction to the valuation allowance of $6.7 million.

We evaluate our deferred tax assets each quarter to determine if a valuation allowance is required based on whether it is more likely than not that some portion of the deferred tax asset would not be realized. Our valuation allowance as of September 30, 2023 and December 31, 2022 was $446.0 million and $425.0 million, respectively.

Comparison of Nine Months Ended September 30, 2023 and 2022

Summary Operating Results

The following table summarizes our overall operating results for the nine months ended September 30, 2023 and 2022.

	Nine Months Ended September 30,		Increase (Decrease)	
(in thousands)	2023	2022	Amount	Percent
Total resident fees and management fees revenue	$ 2,148,341	$ 1,937,235	$ 211,106	10.9 %
Other operating income	9,073	75,546	(66,473)	(88.0)%
Facility operating expense	1,599,336	1,551,938	47,398	3.1 %
Net income (loss)	(97,900)	(212,689)	(114,789)	(54.0)%
Adjusted EBITDA	250,215	194,741	55,474	28.5 %

The increase in total resident fees and management fees revenue was primarily attributable to an 11.9% increase in same community RevPAR, comprised of an 8.8% increase in same community RevPOR and a 210 basis point increase in same community weighted average occupancy.

During the nine months ended September 30, 2023 and 2022, we recognized $9.1 million and $75.5 million, respectively, of government grants and employee retention credits as other operating income based on our estimates of our satisfaction of the conditions of the grants and credits during the period, including for the nine months ended September 30, 2022, $61.1 million of grants from the Phase 4 general distribution of the Provider Relief Fund.

The increase in facility operating expense was primarily attributable to a 3.6% increase in same community facility operating expense, primarily resulting from broad inflationary pressure and higher third-party referral source costs associated with resident move-ins, partially offset by a decrease in the use of premium labor, primarily contract labor.

The decrease in net loss was primarily attributable to the increase in resident fee revenue and a $36.3 million gain on sale of communities, net recognized during the nine months ended September 30, 2023 for the sale of our one remaining entrance fee community. These changes were partially offset by a decrease in other operating income recognized, an increase in facility operating expense, and an increase in debt interest expense compared to the prior year period.

The increase in Adjusted EBITDA was primarily attributable to the increase in resident fee revenue, partially offset by the decrease in other operating income, the increase in facility operating expense, and the change in classification of $28.7 million of lease payments for 51 communities as cash facility operating lease payments as a result of lease amendments subsequent to the prior year period.

Operating Results - Senior Housing Segments

The following table summarizes the operating results and data of our three senior housing segments (Independent Living, Assisted Living and Memory Care, and CCRCs) on a combined basis for the nine months ended September 30, 2023 and 2022 including operating results and data on a same community basis. See management's discussion and analysis of the operating results on an individual segment basis on the following pages.

(in thousands, except communities, units, occupancy, RevPAR, and RevPOR)	**Nine Months Ended September 30,**		**Increase (Decrease)**	
	2023	**2022**	**Amount**	**Percent**
Resident fees	$ 2,140,688	$ 1,927,610	$ 213,078	11.1 %
Other operating income	$ 9,073	$ 75,546	$ (66,473)	(88.0) %
Facility operating expense	$ 1,599,336	$ 1,551,938	$ 47,398	3.1 %
Number of communities (period end)	641	641	—	— %
Total average units	52,056	52,371	(315)	(0.6) %
RevPAR	$ 4,564	$ 4,084	$ 480	11.8 %
Occupancy rate (weighted average)	76.8 %	74.8 %	200 bps	n/a
RevPOR	$ 5,940	$ 5,461	$ 479	8.8 %
Same Community Operating Results and Data				
Resident fees	$ 2,094,649	$ 1,871,693	$ 222,956	11.9 %
Other operating income	$ 8,799	$ 73,476	$ (64,677)	(88.0) %
Facility operating expense	$ 1,555,932	$ 1,502,298	$ 53,634	3.6 %
Number of communities	632	632	—	— %
Total average units	51,054	51,060	(6)	— %
RevPAR	$ 4,559	$ 4,073	$ 486	11.9 %
Occupancy rate (weighted average)	77.0 %	74.9 %	210 bps	n/a
RevPOR	$ 5,918	$ 5,439	$ 479	8.8 %

Independent Living Segment

The following table summarizes the operating results and data for our Independent Living segment for the nine months ended September 30, 2023 and 2022, including operating results and data on a same community basis. All 68 of the communities in our Independent Living segment are included within our same community portfolio.

(in thousands, except communities, units, occupancy, RevPAR, and RevPOR)	**Nine Months Ended September 30,**		**Increase (Decrease)**	
	2023	**2022**	**Amount**	**Percent**
Resident fees	$ 422,506	$ 378,088	$ 44,418	11.7 %
Other operating income	$ 487	$ 10,681	$ (10,194)	(95.4)%
Facility operating expense	$ 285,097	$ 265,981	$ 19,116	7.2 %
Number of communities (period end)	68	68	—	— %
Total average units	12,571	12,569	2	— %
RevPAR	$ 3,734	$ 3,342	$ 392	11.7 %
Occupancy rate (weighted average)	79.0 %	76.3 %	270 bps	n/a
RevPOR	$ 4,724	$ 4,379	$ 345	7.9 %

The increase in the segment's resident fees was primarily attributable to an increase in the segment's RevPAR, comprised of a 7.9% increase in RevPOR and a 270 basis point increase in weighted average occupancy. The increase in the segment's RevPOR was primarily the result of the current year rate increase. The increase in the segment's weighted average occupancy primarily reflects the impact of our execution on key initiatives to rebuild occupancy lost due to the pandemic.

The increase in the segment's facility operating expense was primarily attributable to broad inflationary pressure and increased wireless internet access provided for residents, partially offset by a decrease in the use of premium labor, primarily contract labor.

Assisted Living and Memory Care Segment

The following table summarizes the operating results and data for our Assisted Living and Memory Care segment for the nine months ended September 30, 2023 and 2022, including operating results and data on a same community basis.

(in thousands, except communities, units, occupancy, RevPAR, and RevPOR)	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Increase (Decrease) Amount	Increase (Decrease) Percent
Resident fees	$ 1,467,314	$ 1,308,683	$ 158,631	12.1 %
Other operating income	$ 8,008	$ 56,489	$ (48,481)	(85.8) %
Facility operating expense	$ 1,099,382	$ 1,070,682	$ 28,700	2.7 %
Number of communities (period end)	555	554	1	0.2 %
Total average units	34,446	34,604	(158)	(0.5) %
RevPAR	$ 4,727	$ 4,200	$ 527	12.5 %
Occupancy rate (weighted average)	76.6 %	74.5 %	210 bps	n/a
RevPOR	$ 6,172	$ 5,640	$ 532	9.4 %
Same Community Operating Results and Data				
Resident fees	$ 1,451,175	$ 1,290,392	$ 160,783	12.5 %
Other operating income	$ 7,932	$ 55,821	$ (47,889)	(85.8) %
Facility operating expense	$ 1,085,165	$ 1,055,349	$ 29,816	2.8 %
Number of communities	548	548	—	— %
Total average units	34,169	34,170	(1)	— %
RevPAR	$ 4,719	$ 4,196	$ 523	12.5 %
Occupancy rate (weighted average)	76.6 %	74.5 %	210 bps	n/a
RevPOR	$ 6,159	$ 5,636	$ 523	9.3 %

The increase in the segment's resident fees was primarily attributable to an increase in the segment's same community RevPAR, comprised of a 9.3% increase in same community RevPOR and a 210 basis point increase in same community weighted average occupancy. The increase in the segment's same community RevPOR was primarily the result of the current year rate increase. The increase in the segment's same community weighted average occupancy primarily reflects the impact of our execution on key initiatives to rebuild occupancy lost due to the pandemic. The increase in the segment's resident fees was partially offset by the disposition of five communities since the beginning of the prior year period.

The increase in the segment's facility operating expense was primarily attributable to an increase in the segment's same community facility operating expense primarily resulting from broad inflationary pressure and higher third-party referral source costs associated with resident move ins, partially offset by a decrease in the use of premium labor, primarily contract labor. The increase in the segment's facility operating expense was partially offset by the disposition of communities since the beginning of the prior year period.

CCRCs Segment

The following table summarizes the operating results and data for our CCRCs segment for the nine months ended September 30, 2023 and 2022, including operating results and data on a same community basis.

(in thousands, except communities, units, occupancy, RevPAR, and RevPOR)	**Nine Months Ended September 30,**		**Increase (Decrease)**	
	2023	**2022**	**Amount**	**Percent**
Resident fees	$ 250,868	$ 240,839	$ 10,029	4.2 %
Other operating income	$ 578	$ 8,376	$ (7,798)	(93.1) %
Facility operating expense	$ 214,857	$ 215,275	$ (418)	(0.2) %
Number of communities (period end)	18	19	(1)	(5.3) %
Total average units	5,039	5,198	(159)	(3.1) %
RevPAR	$ 5,516	$ 5,109	$ 407	8.0 %
Occupancy rate (weighted average)	72.9 %	73.3 %	(40) bps	n/a
RevPOR	$ 7,569	$ 6,971	$ 598	8.6 %
Same Community Operating Results and Data				
Resident fees	$ 220,968	$ 203,213	$ 17,755	8.7 %
Other operating income	$ 380	$ 6,974	$ (6,594)	(94.6) %
Facility operating expense	$ 185,530	$ 180,936	$ 4,594	2.5 %
Number of communities	16	16	—	— %
Total average units	4,314	4,321	(7)	(0.2) %
RevPAR	$ 5,691	$ 5,226	$ 465	8.9 %
Occupancy rate (weighted average)	74.5 %	74.0 %	50 bps	n/a
RevPOR	$ 7,644	$ 7,063	$ 581	8.2 %

The increase in the segment's resident fees was primarily attributable to an increase in the segment's same community RevPAR, comprised of an 8.2% increase in same community RevPOR and a 50 basis point increase in same community weighted average occupancy. The increase in the segment's same community RevPOR was primarily the result of the current year rate increase. The increase in the segment's resident fees was partially offset by the disposition of one community since the beginning of the prior year period.

The decrease in the segment's facility operating expense was primarily attributable to the disposition of one community since the beginning of the prior year period, offset by an increase in the segment's same community facility operating expense, including a $2.6 million, or 2.1%, increase in the segment's same community labor expense primarily resulting from wage rate adjustments. Additionally, broad inflationary pressure contributed to the increase in the segment's same community facility operating expense.

Operating Results - Other Income and Expense Items

The following table summarizes other income and expense items in our operating results for the nine months ended September 30, 2023 and 2022.

	Nine Months Ended September 30,		Increase (Decrease)	
(in thousands)	2023	2022	Amount	Percent
Management fees	$ 7,653	$ 9,625	$ (1,972)	(20.5) %
Reimbursed costs incurred on behalf of managed communities	103,932	112,013	(8,081)	(7.2) %
Costs incurred on behalf of managed communities	103,932	112,013	(8,081)	(7.2) %
General and administrative expense	137,021	128,209	8,812	6.9 %
Facility operating lease expense	149,784	124,419	25,365	20.4 %
Depreciation and amortization	255,314	259,229	(3,915)	(1.5) %
Asset impairment	9,606	17,362	(7,756)	(44.7) %
Loss (gain) on sale of communities, net	(36,296)	—	36,296	NM
Interest income	17,764	3,065	14,699	NM
Interest expense	173,558	141,461	32,097	22.7 %
Equity in earnings (loss) of unconsolidated ventures	(3,156)	(9,353)	(6,197)	(66.3) %
Non-operating gain (loss) on sale of assets, net	860	611	249	40.8 %
Other non-operating income (loss)	16,512	1,739	14,773	NM
Benefit (provision) for income taxes	1,029	1,086	(57)	(5.2) %

Reimbursed Costs Incurred on Behalf of Managed Communities and Costs Incurred on Behalf of Managed Communities. The decrease in reimbursed costs and costs incurred on behalf of managed communities was primarily attributable to terminations of management agreements subsequent to the beginning of the prior year period, partially offset by an increase in community costs incurred as a result of broad inflationary pressure for communities managed in both periods.

General and Administrative Expense. The increase in general and administrative expense was primarily attributable to an increase in estimated incentive compensation costs and an increase in organizational restructuring costs compared to the prior year period, primarily for severance costs for our senior leadership changes. General and administrative expense includes transaction and organizational restructuring costs of $3.8 million and $0.9 million for the nine months ended September 30, 2023 and 2022, respectively. Transaction costs include those directly related to acquisition, disposition, financing and leasing activity, and are primarily comprised of legal, finance, consulting, professional fees, and other third-party costs. Organizational restructuring costs include those related to our efforts to reduce general and administrative expense and our senior leadership changes, including severance costs.

Facility Operating Lease Expense. The increase in facility operating lease expense was primarily due to the change in classification of lease costs from financing leases to operating leases as a result of lease amendments subsequent to the prior year period.

Depreciation and Amortization. The decrease in depreciation and amortization expense was primarily due to the change in classification of lease costs from financing leases to operating leases as a result of lease amendments subsequent to the prior year period, partially offset by the completion of community renovations, apartment upgrades, and other major building infrastructure projects for leased communities since the beginning of the prior year period.

Asset Impairment. During the nine months ended September 30, 2023, we recorded $9.6 million of non-cash impairment charges, primarily due to the potential disposition of up to five underperforming communities and lower than expected occupancy and decreased future cash flow estimates at certain leased communities. During the nine months ended September 30, 2022, we recorded $17.4 million of non-cash impairment charges, primarily for certain leased communities with decreased occupancy and future cash flow estimates as a result of the continued impacts of the COVID-19 pandemic.

Loss (Gain) on Sale of Communities, net. The increase in gain on sale of communities, net was due to the sale of our one remaining entrance fee community during the nine months ended September 30, 2023.

Interest Expense. The increase in interest expense was primarily due to an increase in interest expense on long-term debt primarily as a result of increases in variable interest rates, partially offset by a decrease in interest expense on financing lease obligations primarily due to the change in classification of lease costs from financing leases to operating leases as a result of lease amendments subsequent to the prior year period.

Equity in Earnings (Loss) of Unconsolidated Ventures. The decrease in equity in loss of unconsolidated ventures was primarily due to improved operating results for our health care services venture.

Other Non-operating Income (Loss). The increase in other non-operating income was primarily due to increased income recognized for insurance recoveries from our property and casualty insurance policies.

Benefit (Provision) for Income Taxes. The difference between our effective tax rate for the nine months ended September 30, 2023 and 2022 was primarily due to a decrease in the tax benefit on the vesting of restricted stock units and restricted stock awards due to a lower market price for our stock for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022.

We recorded an aggregate deferred federal, state, and local tax benefit of $23.0 million for the nine months ended September 30, 2023, which was partially offset by an increase in the valuation allowance of $21.0 million. We recorded an aggregate deferred federal, state, and local tax expense of $52.8 million for the nine months ended September 30, 2022, which was partially offset by a reduction to the valuation allowance of $50.7 million.

Liquidity and Capital Resources

This section includes the non-GAAP liquidity measure Adjusted Free Cash Flow. See "Non-GAAP Financial Measures" below for our definition of the measure and other important information regarding such measure, including reconciliations to the most comparable GAAP measure.

Liquidity

The following is a summary of cash flows from operating, investing, and financing activities, as reflected in the condensed consolidated statements of cash flows, and our Adjusted Free Cash Flow.

	Nine Months Ended September 30,		Increase (Decrease)	
(in thousands)	**2023**	**2022**	**Amount**	**Percent**
Net cash provided by (used in) operating activities	$ 133,629	$ 51,843	$ 81,786	157.8 %
Net cash provided by (used in) investing activities	(135,747)	(57,493)	78,254	136.1 %
Net cash provided by (used in) financing activities	(69,154)	(37,847)	31,307	82.7 %
Net increase (decrease) in cash, cash equivalents, and restricted cash	(71,272)	(43,497)	27,775	63.9 %
Cash, cash equivalents, and restricted cash at beginning of period	474,548	438,314	36,234	8.3 %
Cash, cash equivalents, and restricted cash at end of period	$ 403,276	$ 394,817	$ 8,459	2.1 %
Adjusted Free Cash Flow	$ (26,176)	$ (97,827)	$ 71,651	73.2 %

The increase in net cash provided by operating activities was primarily attributable to an increase in resident fee revenue compared to the prior year period, partially offset by a $40.1 million decrease in cash received associated with government grants and credits, an increase in facility operating expense, and an increase in debt interest expense compared to the prior year period.

The increase in net cash used in investing activities was primarily attributable to a $178.7 million decrease in proceeds from sales and maturities of marketable securities compared to the prior year period, partially offset by a $70.3 million decrease in purchases of marketable securities and a $37.3 million increase in net proceeds from the sale of assets compared to the prior year period.

The increase in net cash used in financing activities was primarily attributable to the repayment of $29.6 million of mortgage debt upon the sale of our one remaining entrance fee community during the nine months ended September 30, 2023.
The change in Adjusted Free Cash Flow was primarily attributable to the increase in net cash provided by operating activities and an increase in property and casualty insurance proceeds compared to the prior year period, partially offset by a $46.1 million increase in non-development capital expenditures, net compared to the prior year period.

Our principal sources of liquidity have historically been from:

- cash balances on hand, cash equivalents, and marketable securities;
- cash flows from operations;
- proceeds from our credit facilities;
- funds generated through unconsolidated venture arrangements;
- proceeds from mortgage financing or refinancing of various assets;
- funds raised in the debt or equity markets; and
- proceeds from the disposition of assets.

Over the longer-term, we expect to continue to fund our business through these principal sources of liquidity. We also have received pandemic-related government relief, including cash grants.

Over the near-term, we expect that our liquidity requirements will primarily arise from:

- working capital;
- operating costs such as labor costs, severance costs, general and administrative expense, and supply costs;
- debt, interest, and lease payments;
- transaction costs and investment in our healthcare and wellness initiatives;
- capital expenditures and improvements, including the renovation of our current communities and remediation or replacement of assets as a result of casualty losses;
- cash collateral required to be posted in connection with our financial instruments and insurance programs; and
- other corporate initiatives (including information systems and other strategic projects).

We are highly leveraged and have significant debt and lease obligations. As of September 30, 2023, we had $3.8 billion of debt outstanding at a weighted average interest rate of 5.47%. As of such date, 92.0%, or $3.5 billion, of our total debt obligations represented non-recourse property-level mortgage financings, of which $257.1 million matures in September 2024.

As of September 30, 2023, we had $1.1 billion of operating and financing lease obligations, and for the twelve months ending September 30, 2024, we will be required to make approximately $281.4 million of cash lease payments in connection with our existing operating and financing leases.

Total liquidity of $405.4 million as of September 30, 2023 included $331.7 million of unrestricted cash and cash equivalents (excluding restricted cash of $71.6 million), $66.2 million of marketable securities, and $7.5 million of availability on our secured credit facility. Total liquidity as of September 30, 2023 decreased $47.2 million from total liquidity of $452.6 million as of December 31, 2022. The decrease was primarily attributable to negative $26.2 million of Adjusted Free Cash Flow and repayments of mortgage debt, partially offset by the net proceeds from the sale of our one remaining entrance fee community.

Our actual liquidity and capital funding requirements depend on numerous factors, including our operating results, our actual level of capital expenditures, general economic conditions, and the cost of capital, as well as other factors described in "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the Securities and Exchange Commission ("SEC") on February 22, 2023. Since the amount of mortgage financing available for our communities is generally dependent on their appraised values and performance, decreases in their appraised values, including due to adverse changes in real estate market conditions, or their performance, could result in available mortgage refinancing amounts that are less than the communities’ maturing indebtedness. In addition, our inability to satisfy underwriting criteria for individual communities may limit our access to our historical lending sources for such communities, including Fannie Mae and Freddie Mac. Due to lower operating performance of our communities, generally, resulting from the COVID-19 pandemic, during 2021 and 2022 we sought and obtained non-agency mortgage financings to partially refinance maturing Freddie Mac and Fannie Mae indebtedness. As of September 30, 2023, 13% of our owned communities were unencumbered by mortgage debt.

The $257.1 million principal amount of debt maturing in September 2024 is secured by non-recourse first mortgages on 47 communities that are part of a common pool that also secures additional outstanding mortgage debt with a later maturity. We expect to refinance the $257.1 million mortgage debt before the date it matures. We expect to utilize a portion of our current liquidity to repay a portion of the principal amount in connection with such transaction. The terms and amount of such refinancing will depend on various factors, including the appraised values and performance of the communities securing the indebtedness and macroeconomic factors.

As of September 30, 2023, our current liabilities exceeded current assets by $304.3 million. In addition to the $304.5 million current portion of long-term debt, included in our current liabilities is $191.7 million of the current portion of operating and financing lease obligations, for which the associated right-of-use assets are excluded from current assets on our condensed consolidated balance sheets. We currently estimate our historical principal sources of liquidity, primarily our cash flows from operations, together with cash balances on hand, cash equivalents, marketable securities, and proceeds from financings and refinancings of various assets will be sufficient to fund our liquidity needs for at least the next 12 months. We continue to seek opportunities to preserve and enhance our liquidity, including through increasing our RevPAR, maintaining expense discipline, continuing to refinance maturing debt, continuing to evaluate our capital structure and the state of debt and equity markets, and monetizing non-strategic or underperforming owned assets. There is no assurance that financing will continue to be available on terms consistent with our expectations or at all, or that our efforts will be successful in monetizing certain assets.

Our inability to obtain refinancing proceeds sufficient to cover 2024 and later maturing indebtedness could adversely impact our liquidity, and may cause us to seek additional alternative sources of financing, which may be less attractive or unavailable. Shortfalls in cash flows from estimated operating results or other principal sources of liquidity may have an adverse impact on our ability to fund our planned capital expenditures, to pursue any potential lease restructuring opportunities that we identify, or to fund investments to support our strategy. In order to continue some of these activities at historical or planned levels, we may incur additional indebtedness or lease financing to provide additional funding. There can be no assurance that any such additional financing will be available or on terms that are acceptable to us.

Capital Expenditures

Our capital expenditures are comprised of community-level, corporate, and development capital expenditures. Community-level capital expenditures include maintenance expenditures (including routine maintenance of communities over $1,500 per occurrence), community renovations, unit upgrades (including unit turnovers over $500 per unit), and other major building infrastructure projects (including replacements of major building systems). Corporate capital expenditures include those for information technology systems and equipment and the remediation or replacement of assets as a result of casualty losses. Development capital expenditures include community expansions, major community redevelopment and repositioning projects, and the development of new communities.

The following table summarizes our capital expenditures for the nine months ended September 30, 2023 for our consolidated business.

(in thousands)		
Community-level capital expenditures, net[1]	$	129,542
Corporate capital expenditures, net[2]		45,433
Non-development capital expenditures, net[3]		174,975
Development capital expenditures, net		1,309
Total capital expenditures, net	$	176,284

(1) Reflects the amount invested, net of lessor reimbursements of $2.2 million.

(2) Includes $29.2 million of remediation costs at our communities resulting from natural disasters, including $25.5 million of capital expenditures resulting from the impact of Winter Storm Elliott. A portion of such costs are reimbursable under our property and casualty insurance policies.

(3) Amount is included in Adjusted Free Cash Flow.

In the aggregate, we expect our full-year 2023 non-development capital expenditures, net of anticipated lessor reimbursements, to be approximately $223.0 million, including remediation costs at our communities resulting from Winter Storm Elliott and Hurricane Ian. We anticipate that our 2023 capital expenditures will be funded from cash on hand, cash equivalents, marketable securities, cash flows from operations, reimbursements from lessors, and approximately $28.0 million of reimbursement from our property and casualty insurance policies. We received $19.5 million of such insurance reimbursements in the nine months ended September 30, 2023.

Funding our planned capital expenditures, any potential lease restructuring opportunities that we identify, or investments to support our strategy may require additional capital. We expect to continue to assess our financing alternatives periodically and access the capital markets opportunistically. If our existing resources are insufficient to satisfy our liquidity requirements, we may need to sell additional equity or debt securities. Any such sale of additional equity securities will dilute the percentage ownership of our existing stockholders, and we cannot be certain that additional public or private financing will be available in amounts or on terms acceptable to us, if at all. Any newly issued equity securities may have rights, preferences, or privileges senior to those of our common stock. If we are unable to raise additional funds or obtain them on terms acceptable to us, we may have to delay or abandon our plans.

Credit Facilities

On December 11, 2020, we entered into a revolving credit agreement with Capital One, National Association, as administrative agent and lender and the other lenders from time to time parties thereto. The agreement provides a commitment amount of up to $80.0 million which can be drawn in cash or as letters of credit. The credit facility matures on January 15, 2024 and we have the option to extend the facility for two additional terms of one year each subject to the satisfaction of certain conditions. We expect to satisfy the conditions to exercise the option to extend the facility for the first additional one year term. Amounts drawn under the facility will bear interest at SOFR plus an applicable margin which was 2.75% as of September 30, 2023. Additionally, a quarterly commitment fee of 0.25% per annum was applicable on the unused portion of the facility as of September 30, 2023. The revolving credit facility is currently secured by first priority mortgages and negative pledges on certain of our communities. Available capacity under the facility will vary from time to time based upon borrowing base calculations related to the appraised value and performance of the communities securing the credit facility and the variable interest rate of the credit facility.

As of September 30, 2023, $72.5 million of letters of credit and no cash borrowings were outstanding under our $80.0 million secured credit facility and the facility had $7.5 million of availability. We also had a separate secured letter of credit facility providing up to $15.0 million of letters of credit as of September 30, 2023 under which $14.5 million had been issued as of that date.

Long-Term Leases

As of September 30, 2023, we operated 295 communities under long-term leases (281 operating leases and 14 financing leases). The substantial majority of our lease arrangements are structured as master leases. Under a master lease, numerous communities are leased through an indivisible lease. In certain cases, we guarantee the performance and lease payment obligations of our subsidiary lessees under the master leases. Due to the nature of such master leases, it is difficult to restructure the composition of our leased portfolios or economic terms of the leases without the consent of the applicable landlord. In addition, an event of default related to an individual property or limited number of properties within a master lease portfolio may result in a default on the entire master lease portfolio.

The leases relating to these communities are generally fixed rate leases with annual escalators that are either fixed or based upon changes in the consumer price index or leased property revenue. Approximately 89% of our community lease payments are subject to a weighted average maximum annual increase of 2.7% for community leases subject to fixed annual escalators or variable annual escalators based on the consumer price index subject to a cap. The remaining community lease payments are subject to variable annual escalators primarily based upon the change in the consumer price index. An additional 1% increase in the consumer price index would have resulted in additional cash lease payments of approximately $0.2 million for the twelve months ended September 30, 2023. We are responsible for all operating costs, including repairs, property taxes, and insurance. The lease terms generally provide for renewal or extension options from 5 to 20 years, and, in some instances, purchase options.

The community leases contain other customary terms, which may include assignment and change of control restrictions, maintenance and capital expenditure obligations, termination provisions, and financial covenants, such as those requiring us to maintain prescribed minimum liquidity, net worth, and stockholders' equity levels and lease coverage ratios. Our lease documents generally contain non-financial covenants, such as those requiring us to comply with Medicare or Medicaid provider requirements and maintain insurance coverage. Certain leases contain cure provisions, which generally allow us to post an additional lease security deposit if the required covenant is not met.

Certain of our master leases contain radius restrictions, which limit our ability to own, develop, or acquire new communities within a specified distance from certain existing communities covered by such agreements. These radius restrictions could negatively affect our ability to expand, develop, or acquire senior housing communities and operating companies.

For the three and nine months ended September 30, 2023, our cash lease payments for our operating leases were $66.5 million and $188.8 million, respectively, and for our financing leases were $5.2 million and $25.2 million, respectively. As of September 30, 2023, for the twelve months ending September 30, 2024, we will be required to make $281.4 million of cash lease payments in connection with our existing operating and financing leases.

Debt and Lease Covenants

Certain of our long-term debt and lease documents contain restrictions and financial covenants, such as those requiring us to maintain prescribed minimum liquidity, net worth, and stockholders' equity levels and debt service and lease coverage ratios, and requiring us not to exceed prescribed leverage ratios, in each case on a consolidated, portfolio-wide, multi-community, single-community, and/or entity basis. Net worth is generally calculated as stockholders' equity as calculated in accordance with GAAP, and in certain circumstances, reduced by intangible assets or liabilities and/or increased by accumulated depreciation and amortization, and/or further adjusted for certain other specified adjustments. The debt service and lease coverage ratios are generally calculated as revenues less operating expenses, including an implied management fee and a reserve for capital expenditures, divided by the debt (principal and interest) or lease payment. These covenants include a requirement contained in certain of our long-term debt documents for us to maintain liquidity of at least $130.0 million at each quarter-end determination date. As of September 30, 2023, our liquidity was $405.4 million.

In addition, our debt and lease documents generally contain non-financial covenants, such as those requiring us to comply with Medicare or Medicaid provider requirements and maintain insurance coverage. Our failure to comply with applicable covenants could constitute an event of default under the applicable debt or lease documents. Many of our debt and lease documents contain cross-default provisions so that a default under one of these instruments could cause a default under other debt and lease documents (including documents with other lenders and lessors).

Furthermore, our long-term mortgage debt is secured by our communities and, in certain cases, our long-term debt and leases are secured by a guaranty by us and/or one or more of our subsidiaries. Therefore, if an event of default has occurred under any of our debt or lease documents, subject to cure provisions in certain instances, the respective lender or lessor would have the right to declare all the related outstanding amounts of indebtedness or cash lease obligations immediately due and payable, to foreclose on our mortgaged communities, to terminate our leasehold interests, to foreclose on other collateral securing the indebtedness and leases, to discontinue our operation of leased communities, and/or to pursue other remedies available to such lender or lessor. Further, an event of default could trigger cross-default provisions in our other debt and lease documents (including documents with other lenders or lessors). We cannot provide assurance that we would be able to pay the debt or lease obligations if they became due upon acceleration following an event of default.

As of September 30, 2023, we are in compliance with the financial covenants of our debt agreements and long-term leases.

Non-GAAP Financial Measures

This Quarterly Report on Form 10-Q contains the financial measures Adjusted EBITDA and Adjusted Free Cash Flow, which are not calculated in accordance with GAAP. Presentations of these non-GAAP financial measures are intended to aid investors in better understanding the factors and trends affecting our performance and liquidity. However, investors should not consider these non-GAAP financial measures as a substitute for financial measures determined in accordance with GAAP, including net income (loss), income (loss) from operations, or net cash provided by (used in) operating activities. We caution investors that amounts presented in accordance with our definitions of these non-GAAP financial measures may not be comparable to similar measures disclosed by other companies because not all companies calculate non-GAAP measures in the same manner. We urge investors to review the following reconciliations of these non-GAAP financial measures from the most comparable financial measures determined in accordance with GAAP.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP performance measure that we define as net income (loss) excluding: benefit/provision for income taxes, non-operating income/expense items, and depreciation and amortization; and further adjusted to exclude income/expense associated with non-cash, non-operational, transactional, cost reduction, or organizational restructuring items that management does not consider as part of our underlying core operating performance and that management believes impact the comparability of performance between periods. For the periods presented herein, such other items include non-cash impairment charges, gain/loss on facility operating lease termination, operating lease expense adjustment, non-cash stock-based compensation expense, gain/loss on sale of communities, and transaction and organizational restructuring costs. Transaction costs include those directly related to acquisition, disposition, financing, and leasing activity, and are primarily comprised of legal, finance, consulting, professional fees, and other third-party costs. Organizational restructuring costs include those related to our efforts to reduce general and administrative expense and our senior leadership changes, including severance.

We believe that presentation of Adjusted EBITDA as a performance measure is useful to investors because (i) it is one of the metrics used by our management for budgeting and other planning purposes, to review our historic and prospective core operating performance, and to make day-to-day operating decisions; (ii) it provides an assessment of operational factors that management can impact in the short-term, namely revenues and the controllable cost structure of the organization, by eliminating items related to our financing and capital structure and other items that management does not consider as part of our underlying core operating performance and that management believes impact the comparability of performance between periods; (iii) we believe that this measure is used by research analysts and investors to evaluate our operating results and to value companies in our industry; and (iv) we use the measure for components of executive compensation.

Adjusted EBITDA has material limitations as a performance measure, including: (i) excluded interest and income tax are necessary to operate our business under our current financing and capital structure; (ii) excluded depreciation, amortization, and impairment charges may represent the wear and tear and/or reduction in value of our communities, goodwill, and other assets and may be indicative of future needs for capital expenditures; and (iii) we may incur income/expense similar to those for which adjustments are made, such as gain/loss on sale of assets, facility operating lease termination, or debt modification and extinguishment, non-cash stock-based compensation expense, and transaction and other costs, and such income/expense may significantly affect our operating results.

The table below reconciles Adjusted EBITDA from net income (loss).

(in thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net income (loss)	$ (48,811)	$ (28,374)	$ (97,900)	$ (212,689)
Provision (benefit) for income taxes	(1,876)	(300)	(1,029)	(1,086)
Equity in (earnings) loss of unconsolidated ventures	1,426	2,020	3,156	9,353
Non-operating loss (gain) on sale of assets, net	—	56	(860)	(611)
Other non-operating (income) loss	(10,166)	(1,877)	(16,512)	(1,739)
Interest expense	59,412	49,873	173,558	141,461
Interest income	(6,323)	(2,192)	(17,764)	(3,065)
Income (loss) from operations	(6,338)	19,206	42,649	(68,376)
Depreciation and amortization	85,932	86,922	255,314	259,229
Asset impairment	9,086	5,688	9,606	17,362
Loss (gain) on sale of communities, net	—	—	(36,296)	—
Operating lease expense adjustment	(11,458)	(8,714)	(33,820)	(25,329)
Non-cash stock-based compensation expense	2,893	3,403	8,966	10,907
Transaction and organizational restructuring costs	105	346	3,796	948
Adjusted EBITDA[(1)]	$ 80,220	$ 106,851	$ 250,215	$ 194,741

(1) Adjusted EBITDA includes a $2.6 million and $9.1 million benefit for the three and nine months ended September 30, 2023, respectively, and $66.8 million and $75.5 million benefit for the three and nine months ended September 30, 2022, respectively, of government grants and credits recognized in other operating income.

Adjusted Free Cash Flow

Adjusted Free Cash Flow is a non-GAAP liquidity measure that we define as net cash provided by (used in) operating activities before: distributions from unconsolidated ventures from cumulative share of net earnings, changes in prepaid insurance premiums financed with notes payable, changes in operating lease assets and liabilities for lease termination, cash paid/received for gain/loss on facility operating lease termination, and lessor capital expenditure reimbursements under operating leases; plus: property and casualty insurance proceeds and proceeds from refundable entrance fees, net of refunds; less: non-development capital expenditures and payment of financing lease obligations. Non-development capital expenditures are comprised of corporate and community-level capital expenditures, including those related to maintenance, renovations, upgrades, and other major building infrastructure projects for our communities and is presented net of lessor reimbursements. Non-development capital expenditures do not include capital expenditures for: community expansions, major community redevelopment and repositioning projects, and the development of new communities.

We believe that presentation of Adjusted Free Cash Flow as a liquidity measure is useful to investors because (i) it is one of the metrics used by our management for budgeting and other planning purposes, to review our historic and prospective sources of operating liquidity, and to review our ability to service our outstanding indebtedness, pay dividends to stockholders, engage in share repurchases, and make capital expenditures, including development capital expenditures; and (ii) it provides an indicator to management to determine if adjustments to current spending decisions are needed.

Adjusted Free Cash Flow has material limitations as a liquidity measure, including: (i) it does not represent cash available for dividends, share repurchases, or discretionary expenditures since certain non-discretionary expenditures, including mandatory debt principal payments, are not reflected in this measure; (ii) the cash portion of non-recurring charges related to gain/loss on facility lease termination generally represent charges/gains that may significantly affect our liquidity; and (iii) the impact of timing of cash expenditures, including the timing of non-development capital expenditures, limits the usefulness of the measure for short-term comparisons. Additionally, Adjusted Free Cash Flow excludes cash used to purchase interest rate cap instruments, as well as any cash provided by settlements of interest rate cap instruments.

The table below reconciles Adjusted Free Cash Flow from net cash provided by (used in) operating activities.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Net cash provided by (used in) operating activities	$ 45,763	$ 63,521	$ 133,629	$ 51,843
Net cash provided by (used in) investing activities	(31,837)	22,508	(135,747)	(57,493)
Net cash provided by (used in) financing activities	(19,232)	(19,754)	(69,154)	(37,847)
Net increase (decrease) in cash, cash equivalents, and restricted cash	$ (5,306)	$ 66,275	$ (71,272)	$ (43,497)
Net cash provided by (used in) operating activities	$ 45,763	$ 63,521	$ 133,629	$ 51,843
Distributions from unconsolidated ventures from cumulative share of net earnings	—	—	(430)	(561)
Changes in prepaid insurance premiums financed with notes payable	(6,474)	(5,700)	6,530	5,552
Changes in assets and liabilities for lessor capital expenditure reimbursements under operating leases	—	(4,367)	(2,244)	(9,224)
Non-development capital expenditures, net	(47,248)	(43,819)	(174,975)	(128,831)
Property and casualty insurance proceeds	10,747	—	19,536	—
Payment of financing lease obligations	(244)	(5,506)	(8,222)	(16,606)
Adjusted Free Cash Flow(1)	$ 2,544	$ 4,129	$ (26,176)	$ (97,827)

(1) Adjusted Free Cash Flow includes:
- $2.7 million and $28.0 million benefit for the three and nine months ended September 30, 2023, respectively, and $62.8 million and $68.1 million benefit for the three and nine months ended September 30, 2022, respectively, from government grants and credits received.
- $3.1 million recoupment for the nine months ended September 30, 2022, of accelerated/advanced Medicare payments, of which none were recouped during the three months ended September 30, 2022.
- $0.1 million and $3.8 million for the three and nine months ended September 30, 2023, respectively, and $0.3 million and $0.9 million for the three and nine months ended September 30, 2022, respectively, for transaction and organizational restructuring costs.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risks from changes in interest rates charged on our credit facilities and other variable rate indebtedness. The impact on earnings and the value of our long-term debt are subject to change as a result of movements in market rates and prices. As of September 30, 2023, 60.0%, or $2.3 billion, of our long-term debt had a weighted average fixed interest rate of 3.98%. As of September 30, 2023, we had $1.5 billion of long-term variable rate debt, at a weighted average interest rate of 7.70%.

In the normal course of business, we enter into certain interest rate cap and swap agreements with major financial institutions to manage our risk above certain interest rates on variable rate debt. As of September 30, 2023, our $1.5 billion of outstanding long-term variable rate debt is indexed to SOFR plus a weighted average margin of 239 basis points. As of September 30, 2023, $1.4 billion, or 93%, of our long-term variable rate debt is subject to interest rate cap or swap agreements and $99.4 million of our variable rate debt is not subject to any interest rate cap or swap agreements. For our SOFR interest rate cap and swap agreements as of September 30, 2023, the weighted average fixed interest rate is 4.14%, and the weighted average remaining term is one year. Many of our long-term variable rate debt instruments include provisions that obligate us to obtain additional interest rate cap agreements upon the maturity of the existing interest rate cap agreements. The costs of obtaining additional interest rate cap agreements may offset the benefits of our existing interest rate cap agreements.

The table below reflects the additional annual debt interest expense that would have resulted for the respective basis point increases in SOFR as of September 30, 2023.

Increase in Index *(in basis points)*	**Annual Interest Expense Increase** [(1)] *(in millions)*
100	$ 1.5
200	2.9
500	6.4
1,000	11.5

(1) Amounts are after consideration of interest rate cap and swap agreements in place as of September 30, 2023, for which the weighted average remaining term is one year.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision of and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined under Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer each concluded that, as of September 30, 2023, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There has not been any change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information contained in Note 9 to the condensed consolidated financial statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by this reference.

Item 1A. Risk Factors

There have been no material changes to the risk factors set forth in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table contains information regarding purchases of our common stock made during the quarter ended September 30, 2023 by or on behalf of the Company or any ''affiliated purchaser,'' as defined by Rule 10b-18(a)(3) of the Exchange Act.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ($ in thousands) (2)
7/1/2023 - 7/31/2023	—	$ —	—	$ 44,026
8/1/2023 - 8/31/2023	4,537	4.16	—	44,026
9/1/2023 - 9/30/2023	—	—	—	44,026
Total	4,537	$ 4.16	—	

(1) Consists entirely of shares withheld to satisfy tax liabilities due upon the vesting of restricted stock and restricted stock units. The average price paid per share for such share withholding is based on the closing price per share on the vesting date of the restricted stock and restricted stock units or, if such date is not a trading day, the trading day immediately prior to such vesting date.

(2) On November 1, 2016, we announced that our Board of Directors had approved a share repurchase program that authorizes us to purchase up to $100.0 million in the aggregate of our common stock. The share repurchase program is intended to be implemented through purchases made from time to time using a variety of methods, which may include open market purchases, privately negotiated transactions or block trades, or by any combination of such methods, in accordance with applicable insider trading and other securities laws and regulations. The size, scope and timing of any purchases will be based on business, market and other conditions and factors, including price, regulatory and contractual requirements, and capital availability. The repurchase program does not obligate us to acquire any particular amount of common stock and the program may be suspended, modified or discontinued at any time at our discretion without prior notice. Shares of stock repurchased under the program will be held as treasury shares. As of September 30, 2023, $44.0 million remained available under the repurchase program.

Item 5. Other Information

Insider Adoption or Termination of Trading Arrangements

During the fiscal quarter ended September 30, 2023, none of our directors or officers adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on November 5, 2019 (File No. 001-32641)).
3.2	Amended and Restated Bylaws of the Company dated October 29, 2019 (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K filed on October 29, 2019 (File No. 001-32641)).
4.1	Form of Certificate for common stock (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (Amendment No. 3) filed on November 7, 2005 (File No. 333-127372)).
4.2	Description of the Company's securities (incorporated by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q filed on May 9, 2023 (File No. 001-32641)).
4.3	Indenture, dated as of October 1, 2021, by and among the Company and American Stock Transfer & Trust Company, LLC, as trustee, governing the 2.00% Convertible Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on October 1, 2021 (File No. 001-32641)).
4.4	Form of 2.00% Convertible Senior Notes due 2026 (included in Exhibit 4.3).
4.5	Indenture, dated as of November 21, 2022, between the Company and American Stock Transfer & Trust Company, LLC, as trustee (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on November 22, 2022 (File No. 001-32641)).
4.6	First Supplemental Indenture, dated as of November 21, 2022, between the Company and American Stock Transfer & Trust Company, LLC, as trustee (incorporated by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K filed on November 22, 2022 (File No. 001-32641)).
4.7	Form of 10.25% Senior Amortizing Notes due 2025 (included in Exhibit 4.6).
4.8	Purchase Contract Agreement dated as of November 21, 2022, between the Company and American Stock Transfer & Trust Company, LLC, as purchase contract agent, as attorney-in-fact for holders of the purchase contracts referred to therein and as trustee under the indenture referred to therein (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 22, 2022 (File No. 001-32641)).
4.9	Form of 7.00% Tangible Equity Units (included in Exhibit 4.8).
4.10	Form of Purchase Contracts (included in Exhibit 4.8).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted in Inline XBRL (included in Exhibit 101).

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.

BROOKDALE SENIOR LIVING INC.
(Registrant)

By:	/s/ Dawn L. Kussow
Name:	Dawn L. Kussow
Title:	Executive Vice President and Chief Financial Officer (Authorized Officer and Principal Financial Officer)
Date:	November 7, 2023