



Genesis Healthcare, Inc. and Subsidiaries

Debtor-in-Possession

Audited Consolidated Financial Statements

December 31, 2025 and 2024

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Genesis HealthCare, Inc. and Subsidiaries

Opinion

We have audited the consolidated financial statements of Genesis HealthCare, Inc. and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial doubt about the entity's ability to continue as a going concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has experienced recurring losses from operations, has a net capital deficiency, and has stated that substantial doubt exists about the Company's ability to continue as going concern. Management's evaluation of the events and conditions and management's plans regarding these matters, including its July 9, 2025 filing of a petition for reorganization under Chapter 11 of the United States Bankruptcy Code, are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Emphasis of matter

As discussed in Note 4 to the consolidated financial statements, the Company filed a petition for reorganization under Chapter 11 of the United States Bankruptcy Code on July 9, 2025. Accordingly, the Company has applied the provisions of Accounting Standards Codification (“ASC”) 852, *Reorganizations*. As a result, the Company’s liabilities are presented with different classifications that differ materially from those reflected in periods prior to the adoption of ASC 852, and the statements of operations and cash flows for the current period are not comparable to those of prior periods. Our opinion is not modified with respect to this matter.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Philadelphia, Pennsylvania
April 29, 2026

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DEBTOR-IN-POSSESSION
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 61,494	\$ 48,439
Restricted cash and cash equivalents	93,705	59,326
Accounts receivable	469,534	457,298
Prepaid expenses	89,158	84,259
Other current assets	34,005	22,104
Total current assets	<u>747,896</u>	<u>671,426</u>
Property and equipment, net of accumulated depreciation of \$473,999 and \$469,425 at December 31, 2025 and 2024, respectively	643,535	688,577
Finance lease right-of-use assets, net of accumulated amortization of \$79,885 and \$76,960 at December 31, 2025 and 2024, respectively	334,482	390,533
Operating lease right-of-use assets	639,567	579,852
Restricted cash and cash equivalents	44,783	48,998
Other long-term assets	129,884	147,144
Deferred income taxes	92,487	—
Identifiable intangible assets, net of accumulated amortization of \$99,557 and \$96,281 at December 31, 2025 and 2024, respectively	9,276	12,553
Total assets	<u>\$ 2,641,910</u>	<u>\$ 2,539,083</u>
Liabilities and Stockholders' Deficit:		
Current liabilities:		
Current portion of long-term debt	\$ 388,387	\$ 6,018
Current portion of finance lease obligations	—	12,138
Current portion of operating lease obligations	106	139,832
Accounts payable	97,665	323,438
Accrued expenses	30,468	347,027
Accrued compensation	70,138	109,358
Self-insurance reserves	100	79,965
Total current liabilities	<u>586,864</u>	<u>1,017,776</u>
Long-term debt, net	204,843	1,636,851
Finance lease obligations, net	—	632,962
Operating lease obligations, net	322	634,971
Deferred income taxes	499	514
Self-insurance reserves, net	276	198,169
Other long-term liabilities	77	217,925
Liabilities subject to compromise	3,718,280	—
Total liabilities	<u>4,511,161</u>	<u>4,339,168</u>
Commitments and contingencies		
Stockholders' deficit:		
Class A common stock, (par \$0.001, 1,000,000,000 shares authorized, issued and outstanding - 122,856,862 and 122,778,614 at December 31, 2025 and 2024, respectively)	122	122
Class B common stock, (par \$0.001, 20,000,000 shares authorized, issued and outstanding - 691,055 and 691,055 at December 31, 2025 and 2024, respectively)	1	1
Class C common stock, (par \$0.001, 150,000,000 shares authorized, issued and outstanding - 49,818,331 and 49,896,567 at December 31, 2025 and 2024, respectively)	50	50
Additional paid-in-capital	203,707	203,909
Accumulated deficit	(1,545,392)	(1,508,338)
Total stockholders' deficit before noncontrolling interests	<u>(1,341,512)</u>	<u>(1,304,256)</u>
Noncontrolling interests	(527,739)	(495,829)
Total stockholders' deficit	<u>(1,869,251)</u>	<u>(1,800,085)</u>
Total liabilities and stockholders' deficit	<u>\$ 2,641,910</u>	<u>\$ 2,539,083</u>

The accompanying notes are an integral part of these consolidated financial statements.

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
DEBTOR-IN-POSSESSION
(IN THOUSANDS)

	Year ended December 31,	
	2025	2024
Revenues	\$ 2,960,390	\$ 3,329,351
Salaries, wages and benefits	1,511,914	1,786,651
Other operating expenses	1,031,932	1,084,472
General and administrative costs	90,040	104,500
Lease expense	144,913	175,281
Depreciation and amortization expense	73,537	103,809
Interest expense	215,591	262,348
Loss (gain) on early extinguishment of debt	388	(18,530)
Investment income	(3,863)	(8,184)
Other (income) loss, net	(34,191)	60,530
Transaction costs	16,755	57,204
Customer bankruptcy charges	—	33,945
Long-lived asset impairments	—	18,332
Reorganization items	83,850	—
Equity in net (income) loss of unconsolidated affiliates	(18,126)	3,195
Loss before income tax benefit	(152,350)	(334,202)
Income tax benefit	(92,168)	(3)
Net loss	(60,182)	(334,199)
Less net loss attributable to noncontrolling interests	23,128	107,303
Net loss attributable to Genesis Healthcare, Inc.	\$ (37,054)	\$ (226,896)

The accompanying notes are an integral part of these consolidated financial statements.

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
DEBTOR-IN-POSSESSION
(IN THOUSANDS)

	Class A Common Stock		Class B Common Stock		Class C Common Stock		Additional paid-in capital	Accumulated deficit	Stockholders' deficit	Noncontrolling interests	Total stockholders' deficit
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at December 31, 2023	121,146	\$ 121	691	\$ 1	51,004	\$ 51	\$ 212,030	\$ (1,281,442)	\$ (1,069,239)	\$ (382,087)	\$ (1,451,326)
Net loss	—	—	—	—	—	—	—	(226,896)	(226,896)	(107,303)	(334,199)
Share based compensation	—	—	—	—	—	—	257	—	257	—	257
Issuance of common stock	525	—	—	—	—	—	—	—	—	—	—
Conversion of common stock among classes	1,107	1	—	—	(1,107)	(1)	(8,374)	—	(8,374)	8,374	—
Distributions to noncontrolling interests	—	—	—	—	—	—	(4)	—	(4)	(14,813)	(14,817)
Balance at December 31, 2024	122,778	\$ 122	691	\$ 1	49,897	\$ 50	\$ 203,909	\$ (1,508,338)	\$ (1,304,256)	\$ (495,829)	\$ (1,800,085)
Net loss	—	—	—	—	—	—	—	(37,054)	(37,054)	(23,128)	(60,182)
Conversion of common stock among classes	79	—	—	—	(79)	—	—	—	—	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—	(202)	—	(202)	(8,782)	(8,984)
Balance at December 31, 2025	122,857	\$ 122	691	\$ 1	49,818	\$ 50	\$ 203,707	\$ (1,545,392)	\$ (1,341,512)	\$ (527,739)	\$ (1,869,251)

The accompanying notes are an integral part of these consolidated financial statements.

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
DEBTOR-IN-POSSESSION
(IN THOUSANDS)

	<u>Year ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Net loss	\$ (60,182)	\$ (334,199)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Non-cash interest arrangements, net	70,030	93,191
Lease modifications and other non-cash gain, net	(34,191)	60,530
Share based compensation	—	257
Depreciation and amortization expense	73,537	103,809
Amortization of operating lease right-of-use assets	86,083	90,342
Provision of losses on accounts receivable	4	1,200
Equity in net income of unconsolidated affiliates	(18,126)	3,195
Benefit for deferred taxes	(92,502)	(290)
Loss (gain) on early extinguishment of debt	388	(18,530)
Long-lived asset impairments	—	18,332
Changes in assets and liabilities:		
Accounts receivable	(29,300)	77,908
Accounts payable and other accrued expenses and other	150,059	(75,115)
Reorganization items	43,652	—
Operating lease obligations	(107,042)	(108,354)
Net cash provided by (used in) operating activities	<u>82,410</u>	<u>(87,724)</u>
Cash flows provided by investing activities:		
Capital expenditures	(16,845)	(21,316)
Sales of assets	40,000	87,041
Restricted deposits	(13,000)	13,000
Investments in joint venture	1,581	—
Net cash provided by investing activities	<u>11,736</u>	<u>78,725</u>
Cash flows used in financing activities:		
Borrowings under revolving credit facilities	1,542,888	3,550,114
Repayments under revolving credit facilities	(1,578,576)	(3,593,760)
Proceeds from issuance of debtor-in-possession long-term debt	30,000	62,000
Repayment of long-term debt	(23,301)	(147,821)
Repayment of finance lease obligations	(7,775)	(4,388)
Debt issuance and settlement costs	(5,179)	(6,884)
Distributions to noncontrolling interests and stockholders	(8,984)	(14,815)
Net cash used in financing activities	<u>(50,927)</u>	<u>(155,554)</u>
Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	43,219	(164,553)
Cash and cash equivalents and restricted cash and cash equivalents:		
Beginning of period	156,763	321,316
End of period	<u>\$ 199,982</u>	<u>\$ 156,763</u>
Supplemental cash flow information:		
Interest paid	\$ 147,499	\$ 163,302
Net taxes paid	101	(454)
Non-cash investing and financing activities:		
Finance lease obligations, net gross up (write-down) due to lease activity	\$ (37,791)	\$ 1,782
Assets subject to finance lease obligations, net write-down due to lease activity	33,294	159,383
Operating lease obligations, net write down due to lease activity	136,309	(55,496)
Assets subject to operating leases, net write down due to lease activity	(150,775)	27,403

The accompanying notes are an integral part of these consolidated financial statements.

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
DEBTOR-IN-POSSESSION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) General Information

Description of Business

Genesis Healthcare, Inc. is a healthcare services holding company that, through its subsidiaries (collectively, the Company or Genesis), owns and operates skilled nursing facilities, assisted/senior living facilities and a rehabilitation therapy business. The Company has an administrative services company that provides a full complement of administrative and consultative services that allows its affiliated operators and third-party operators with whom the Company contracts to better focus on delivery of healthcare services. At December 31, 2025, the Company's subsidiaries operated 167 skilled nursing and assisted/senior living centers located in 18 states and an additional 34 centers operated by joint ventures that the Company owns membership interest ranging from 49% to 75%. Revenues of the Company's owned, leased and otherwise consolidated inpatient businesses constitute approximately 81% of its revenues.

The Company provides a range of rehabilitation therapy services, including speech pathology, physical therapy, occupational therapy and respiratory therapy. These services are provided by rehabilitation therapists and assistants employed or contracted at substantially all of the centers operated by the Company, as well as by contract to healthcare facilities operated by others. The Company has expanded its delivery model for providing rehabilitation services to community-based and at-home settings. After the elimination of intercompany revenues, the rehabilitation therapy services business constitutes approximately 12% of the Company's revenues.

The Company provides an array of other specialty medical services, including management services, physician services, and other healthcare related services, which comprise the balance of the Company's revenues.

Basis of Accounting and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The consolidated financial statements include all necessary adjustments for a fair presentation of the consolidated financial position and results of operations for the periods presented.

On July 9, 2025, the vast majority of the subsidiaries of the Company filed a petition for bankruptcy under Chapter 11 of the Bankruptcy Code. The Company's accounting and financial reporting fall under the scope of Accounting Standards Codification 852 – *Reorganizations* (ASC 852). Under ASC 852, all financial statements are presented with the title debtor-in-possession, as the Company continues to operate its business. ASC 852 requires that the consolidated financial statements, for periods subsequent to the Chapter 11 filing, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain expenses, gains and losses that are realized or incurred in the bankruptcy proceedings are recorded in "*Reorganization items*" on the Company's consolidated statements of operations. See Note 6 – "*Reorganization Items*." In addition, pre-petition unsecured and under-secured obligations that may be impacted by the bankruptcy reorganization process have been classified as "*Liabilities subject to compromise*" on the Company's consolidated balance sheet as of December 31, 2025. See Note 9 – "*Liabilities Subject to Compromise*." The accompanying consolidated financial statements include adjustments required for entities in reorganization, but do not reflect any adjustments related to the confirmation of a plan, as none had occurred as of the reporting date.

The consolidated financial statements of the Company include the accounts of the Company and its subsidiaries. All intercompany transactions have been eliminated in consolidation. The Company presents noncontrolling interests within the stockholders' deficit section of its consolidated balance sheets. The Company presents the amount of net loss attributable to Genesis Healthcare, Inc. and net loss attributable to noncontrolling interests in its consolidated statements of operations.

The consolidated financial statements include the accounts of all entities controlled by the Company through its ownership of a majority voting interest and the accounts of variable interest entities (VIEs) where the Company is subject to a majority of the risk of loss from the VIE's activities or entitled to receive a majority of the entity's residual returns, or both. The Company assesses the requirements related to the consolidation of VIEs, including a qualitative assessment of control and economics that considers whether the Company has the power to direct the activities that most significantly impact the VIE's economic performance and has

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
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the obligation to absorb losses of, or the right to receive benefits that could be potentially significant to the VIE. The VIEs are excluded from the bankruptcy filing.

The consolidated financial statements include the accounts of three strategic partnerships (the Next Partnership, the Vantage Point Partnership and the Cascade Partnership), in which the Company holds a membership interest of between 30% and 50%. These partnerships own the real property of skilled nursing facilities which the Company operates. The Company holds fixed price purchase options to acquire the real property of the Next Partnership and Cascade Partnership. The Company has concluded the strategic partnerships qualify as VIEs of which the Company is the primary beneficiary. As such, the Company has consolidated all the accounts of the strategic partnerships in its consolidated financial statements. The strategic partnerships are excluded from the bankruptcy filing.

Going Concern Considerations

The Company performed an assessment to determine whether there are conditions or events, considered in the aggregate, that raise substantial doubt about its ability to continue as a going concern within one year after the date the financial statements are available to be issued. Initially, this assessment does not consider the potential mitigating effect of management's plans that have not been fully implemented. When substantial doubt exists, management assesses the mitigating effect of its plans to determine if it is probable that (1) the plans will be effectively implemented within one year after the date the financial statements are available to be issued, and (2) when implemented, the plans will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern.

In response to the conditions that raise substantial doubt about the Company's ability to continue as a going concern, the Company filed for voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Northern District of Texas Dallas Division.

These measures and other plans and initiatives are needed to provide the Company with adequate liquidity to meet its obligations for at least the twelve-month period following the date its consolidated financial statements are available to be issued. It is unknown if the Company will be unable to generate sufficient cash flows to meet its required financial obligations, including its rent and debt obligations, and maintain compliance with financial covenants. The existence of these conditions raises substantial doubt about the Company's ability to continue as a going concern for the twelve-month period following the date the consolidated financial statements are available to be issued.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates continuity of operations, realization of assets and the satisfaction of liabilities in the normal course of business for the twelve-month period following the date the consolidated financial statements are available to be issued.

(2) Summary of Significant Accounting Policies

Estimates and Assumptions

The consolidated financial statements have been prepared in conformity with U.S. GAAP, which requires management to consolidate the Company's financial information and make informed estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates in the Company's consolidated financial statements relate to valuation of revenues and accounts receivable, self-insured liabilities, income taxes, the useful lives and fair value of long-lived assets and goodwill, lease obligations and other contingencies. Actual results could differ from those estimates.

Revenue Recognition

The Company generates revenues, primarily by providing healthcare services to its customers. Revenues are recognized when control of the promised good or service is transferred to the Company's customers, in an amount that reflects the

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

consideration to which the Company expects to be entitled from patients, third-party payors (including government programs and insurers) and others, in exchange for those goods and services. Amounts estimated to be uncollectable are generally considered implicit price concessions that are a direct reduction to revenues.

Performance obligations are determined based on the nature of the services provided. The majority of the Company's healthcare services are highly interrelated and represent multiple inputs to deliver the combined output for which a customer has entered into a contract with the Company. As such, the bundle of services is treated as a single performance obligation satisfied over time as services are rendered. The Company determines the transaction price based on contractually agreed-upon amounts or rates, adjusted for estimates of variable consideration, such as implicit price concessions.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term investments with original maturities of three months or less when purchased and therefore, approximate fair value. The Company's available cash is held in accounts at commercial banking institutions. The Company currently has bank deposits with commercial banking institutions that exceed Federal Deposit Insurance Corporation insurance limits. The Company believes it is not exposed to any significant credit risk in such deposits.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include cash pledged to collateralize letters of credit under the ABL Credit Facilities, see Note 10 – “*Long-Term Debt*.” Restricted cash and cash equivalents also include cash account balances subject to deposit account control agreements that were sprung under the ABL Credit Facilities resulting in the majority of the Company's cash accounts being classified as restricted.

Accounts Receivable

The Company's accounts receivable are primarily comprised of amounts due from patients who either have insurance with Medicare, Medicaid, private and commercial insurance entities, other third-party payors and long-term care providers or patients who do not have insurance that utilize its rehabilitation therapy and other services. The Company evaluates the credit risk and valuation of accounts receivable based on analysis of historical collection trends, as well as its understanding of the nature and collectability of accounts based on their age and other factors.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the depreciable assets, which generally range from 20-35 years for buildings, building improvements and land improvements, and 3-15 years for equipment, furniture and fixtures. Depreciation expense on leasehold improvements is calculated using the straight-line method over the lesser of the lease term or the estimated useful life of the asset. Expenditures for maintenance and repairs necessary to maintain property and equipment in efficient operating condition are expensed as incurred. Costs of additions and improvements are capitalized.

Impairment of Long-Lived Assets

The Company's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to the future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment charge is recognized to the extent the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or the fair value, less costs to sell.

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Identifiable Intangible Assets

Definite-lived intangible assets consist of customer relationships. These assets are amortized in accordance with the authoritative guidance for intangible assets using the straight-line method over their estimated useful lives. These assets are tested for impairment consistent with the Company's long-lived assets. Indefinite-lived intangible assets consist of trade names. The Company tests indefinite-lived intangible assets for impairment on an annual basis or more frequently if events occur or circumstances exist that would indicate that the carrying amount of the intangible asset may not be recoverable.

Self-Insurance Reserves

The Company provides for self-insurance reserves for both general and professional liabilities and workers' compensation claims based on estimates of the ultimate costs for both reported claims and claims incurred but not reported. Estimated losses from asserted and incurred but not reported claims are accrued based on the Company's estimates of the ultimate costs of the claims, which include costs associated with litigating and settling claims, and the relationship of past reported incidents to eventual claim payments. All relevant information, including the Company's own historical experience, the nature and extent of existing asserted claims and reported incidents, and independent actuarial analyses of this information is used in estimating the expected amount of claims. Estimated insurance recoveries related to recorded liabilities are reflected as other long-term assets in the Company's consolidated balance sheets when the receipt of such amounts is deemed to be probable.

Beginning on September 27, 2024, the Company contracted with a third-party firm to provide workers' compensation coverage under an annual fixed guaranteed cost program. The total contracted cost of the first annual plan was \$26.5 million plus fees. The total contracted cost of the second annual plan is \$23.5 million plus fees. The firm will manage all coverage and claims processing for the two-year period ending September 26, 2026.

Income Taxes

The Company's effective tax rate is based on pretax income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which it operates. The Company accounts for income taxes in accordance with applicable guidance on accounting for income taxes, which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between book and tax bases on recorded assets and liabilities. Accounting guidance also requires that deferred tax assets be reduced by a valuation allowance when it is more likely than not that a tax benefit will not be realized.

The recognition and measurement of a tax position is based on management's best judgment given the facts, circumstances and information available at the reporting date. The Company evaluates tax positions to determine whether the benefits of tax positions are more likely than not of being sustained upon audit based on the technical merits of the tax position. For tax positions that are more likely than not of being sustained upon audit, the Company recognizes the largest amount of the benefit that is greater than 50% likely of being realized upon ultimate settlement in the financial statements. For tax positions that are not more likely than not of being sustained upon audit, the Company does not recognize any portion of the benefit in the financial statements. If the more likely than not threshold is not met in the period for which a tax position is taken, the Company may subsequently recognize the benefit of that tax position if the tax matter is effectively settled, the statute of limitations expires, or if the more likely than not threshold is met in a subsequent period.

The Company evaluates, on a quarterly basis, its ability to realize deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization are its forecast of pre-tax earnings, its forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. To the extent the Company prevails in matters for which reserves have been established or is required to pay amounts in excess of its reserves, its effective tax rate in a given consolidated financial statement period could be materially affected. An unfavorable tax settlement would require use of cash and result in an increase in the effective tax rate in the year of resolution. A favorable tax settlement would be recognized as a reduction in the Company's effective tax rate in the year of resolution. The Company records accrued interest and penalties associated with uncertain tax positions as income tax expense (benefit) in the consolidated statements of operations. The Company performed an assessment on uncertain tax positions and concluded none existed at December 31, 2025 or 2024.

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
DEBTOR-IN-POSSESSION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2025 and 2024 are presented below (in thousands):

	<u>2025</u>	<u>2024</u>
Deferred tax assets:		
Investment in partnership	\$ 368,710	\$ 343,389
Net operating loss carryforwards	146,225	145,930
General business credits	35,725	35,920
Total deferred tax assets	550,660	525,239
Valuation allowance	(458,173)	(524,014)
Deferred tax assets, net of valuation allowance	92,487	1,225
Deferred tax liabilities:		
Long-lived assets - intangible property	(499)	(1,739)
Total deferred tax liabilities	(499)	(1,739)
Net deferred income taxes	\$ 91,988	\$ (514)

For the year ended December 31, 2025, the Company recognized a net income tax benefit of \$92.2 million, of which \$92.5 million was related to deferred income tax benefit.

At December 31, 2025, the Company has net operating loss carryforwards of \$116.6 million for U.S. federal and \$29.6 million associated with approximately forty states. These net operating losses have carryforward periods ranging from five to twenty years. At December 31, 2025, the Company has U.S. federal work opportunity tax credits with a carryforward period of twenty years. A portion of the carryforwards will expire unused within the next twelve months. At December 31, 2025, the Company estimates that it will utilize approximately \$92.5 million of its net operating losses and tax credits.

The Company is party to a tax receivable agreement (TRA) with the noncontrolling owners of FC-GEN Operations Investment, LLC (FC-GEN), a subsidiary of the Company. The agreement provides for the payment by the Company to the noncontrolling owners of FC-GEN of 90% of the cash savings, if any, in U.S. federal, state and local income tax that the Company actually realizes as a result of (i) the increases in tax basis attributable to the owners of FC-GEN and (ii) tax benefits related to imputed interest deemed to be paid by the Company as a result of the TRA. Under the TRA, the benefits deemed to be realized by the Company as a result of the increase in tax basis attributable to the noncontrolling owners of FC-GEN generally will be computed by comparing the actual income tax liability of the Company to the amount of such taxes that the Company would have been required to pay had there been no such increase in tax basis. The term of the TRA generally will continue until all applicable tax benefits have been utilized or expired, unless the Company exercises its right to terminate the TRA and make an early termination payment.

Leases

The Company leases skilled nursing facilities and assisted/senior living facilities, as well as certain office space, land, and equipment. The Company evaluates at contract inception whether a lease exists and recognizes a lease liability and right-of-use (ROU) asset for all leases with a term greater than 12 months. Leases are classified as either finance or operating. While many of the Company's facilities are subject to master lease agreements, leases are assessed, classified, and measured at the facility level. All lease liabilities are measured as the present value of the future lease payments using a discount rate, which is generally the Company's incremental borrowing rate for collateralized borrowings. The future lease payments used to measure the lease liability include both fixed and variable payments that depend on a rate or index, as well as the exercise price of any options to purchase the underlying asset that have been deemed reasonably certain of being exercised.

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Defined Contribution Plans

The Company sponsors two defined contribution plans covering substantially all employees. Plan eligibility is determined by grade level and state of employment. Employees are eligible to participate after 60 days of service. Employee contributions are immediately 100% vested. Employer contribution vesting is based on completed years of service. Vesting begins at 20% upon two years of service, increases by 20% every year and reaches 100% vesting upon six years of service. The Company matched employee contributions totaling \$0.4 million for the defined contribution plans in 2025. The Company did not match employee contributions for the defined contribution plans in 2024.

(3) Certain Significant Risks and Uncertainties

Revenue Sources

The sources and amounts of the Company's revenues are determined by a number of factors, including licensed bed capacity and occupancy rates of inpatient facilities, the mix of patients and the rates of reimbursement among payors. Likewise, payment for ancillary medical services, including services provided by the Company's rehabilitation therapy services business, varies based upon the type of payor and the historical reimbursement experience within each payor type. Changes in the case mix of the patients as well as payor mix of the patients among Medicare, Medicaid and private pay patients can significantly affect the Company's profitability.

It is difficult to quantify fully the effect of legislative changes, the interpretation or administration of such legislation or other governmental initiatives on the Company's business. The potential impact of reforms to the United States healthcare system, including potential material changes to the delivery of healthcare services and the reimbursement paid for such services by the government or other third-party payors, is uncertain at this time. Also, initiatives among managed care payors, conveners and referring acute care hospital systems to reduce lengths of stay and avoidable hospital admissions and to divert referrals to home health or other community-based care settings could have an adverse impact on the Company's business. Accordingly, there can be no assurance that the impact of any future healthcare legislation, regulation or actions by participants in the health care continuum will not adversely affect the Company's business. There can be no assurance that payments under governmental and private third-party payor programs will be timely, will remain at levels similar to present levels or will, in the future, be sufficient to cover the costs allocable to patients eligible for reimbursement pursuant to such programs. The Company's financial condition and results of operations are and will continue to be affected by the reimbursement process, which in the healthcare industry is complex and can involve lengthy delays between the time that revenue is recognized and the time that reimbursement amounts are settled.

Laws and regulations governing the Medicare and Medicaid programs, and the Company's businesses generally, are complex and are often subject to a number of ambiguities in their application and interpretation. The Company believes that it is in substantial compliance with all applicable laws and regulations. However, from time to time the Company and its affiliates are subject to pending or threatened lawsuits and investigations involving allegations of potential wrongdoing, some of which may be material or involve significant costs to resolve and/or defend, or may lead to other adverse effects on the Company and its affiliates including, but not limited to, fines, penalties and exclusion from participation in the Medicare and/or Medicaid programs.

Concentration of Credit Risk

The Company is exposed to the credit risk of its third-party customers, many of whom are in similar lines of business as the Company and are exposed to the same systemic industry risks of operations as the Company, resulting in a concentration of risk. These include organizations that utilize the Company's rehabilitation services and physician service offerings, engaged in similar business activities or having economic features that would cause their ability to meet contractual obligations, including those to the Company, to be similarly affected by changes in regulatory and systemic industry conditions.

Management assesses its exposure to loss on accounts at the customer level. The greatest concentration of risk exists in the Company's rehabilitation therapy services business where it has approximately 160 distinct customers, many being chain

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operators with more than one location. One of the Company's customers, a related party, declared bankruptcy in June 2024. The Company recorded a bankruptcy charge of \$33.9 million presented as "*Customer bankruptcy charges*" on the consolidated statement of operations for the year ended December 31, 2024, to reflect the reduction in outstanding account receivables. See Note 12 – "*Related Party Transactions*." The Company continues to provide services to this customer. A future adverse event impacting other large customers, resulting in their insolvency or other economic distress would have a material impact on the Company.

Covenant Compliance

Should the Company fail to comply with its debt and lease covenants at a future measurement date, it could, absent necessary and timely waivers and/or amendments, be in default under certain of its existing debt and lease agreements.

At December 31, 2025 and 2024, the Company was not in compliance with, or had not received waivers with respect to, the financial covenants contained in certain of its lease obligations. The lease obligations associated with these agreements have been classified as current liabilities and presented as liabilities subject to compromise at December 31, 2025. As of the date of this report, the Company has met all contractual obligations associated with its lease and debt obligations other than the previously disclosed financial covenant noncompliance.

The Company's ability to maintain compliance with financial covenants required by its debt and lease agreements depends in part on management's ability to increase revenues and control costs. Due to continuing changes in the healthcare industry, as well as the uncertainty with respect to changing referral patterns, patient mix, and reimbursement rates, it is possible that future operating performance may not generate sufficient operating results to maintain compliance with its quarterly debt and lease covenant requirements. The ongoing uncertainty related to the future results of operations may have an adverse impact on the Company's ability to remain in compliance with or return to compliance with its financial covenants for the twelve-month period following the date the consolidated financial statements are available to be issued.

(4) Significant Transactions and Events

Chapter 11 Filing

On July 9, 2025, the Company announced that it filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Northern District of Texas Dallas Division (the Court). Subject to court approval, the Company has secured a commitment of \$30 million in debtor-in-possession (DIP) financing, from its existing secured lenders. See Note 10 – "*Long-Term Debt – Debtor-in-Possession Loans*". This DIP financing, combined with cash on hand and cash flow generated from ongoing operations, will support the business to satisfy its ongoing obligations, and enable the Company to remain focused on delivering quality care during the court-supervised process.

On July 11, 2025, the Court approved postpetition borrowing and the use of cash collateral as set forth in the Interim Order (I) authorizing the debtors to (A) obtain postpetition financing and (B) utilize cash collateral, (II) granting adequate protection to prepetition secured parties, (III) modifying the automatic stay, (IV) scheduling a final hearing, and (V) granting related relief

On August 22, 2025, the Court granted the relief requested in the cash management motion on final basis and entered the Final Order (I) authorizing the debtors to (A) continue to operate its existing cash management system, (B) maintain existing bank accounts and business forms and honor certain prepetition obligations related to the use thereof, (C) maintain purchasing card programs and honor prepetition obligations related thereto, and (D) continue to perform intercompany transactions; (II) extending the time for the debtors to comply with deposit and investment requirements; and (III) granting related relief.

On August 22, 2025, the Court approved an order authorizing debtors to reject certain unexpired real property leases including any guaranties thereof and any amendments, modifications, or subleases thereto. The rejected leases were associated with 15 skilled nursing facilities that are currently closed or previously transitioned via sublease to non-debtor third-party operators.

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. On August 28, 2025, the Court approved postpetition and the use of cash collateral on a final basis as set forth in the Final Order (I) authorizing the debtors to (A) obtain postpetition financing and (B) utilize cash collateral, (II) granting adequate protection to prepetition secured parties, (III) modifying the automatic stay, and (IV) granting related relief.

On September 9, 2025, another order was issued authorizing debtors to reject leases associated with five open facilities. All five operations were successfully transitioned by January 1, 2026.

Restructuring Transactions

ABL Credit Facilities Amendment

On October 14, 2024, the ABL Credit Facilities were amended. Specified control funds totaling \$74.7 million, which were classified as restricted cash and cash equivalents, were used to pay down borrowings, including full retirement of the \$30.0 million term loan. The term loan commitment was terminated. A specified reserve to the borrowing base equal to \$22.8 million was established. The specified reserve will increase monthly by \$0.7 million. Another temporary specified reserve of \$20.0 million was established. The temporary specified reserve will be reduced to \$0 when certain recording thresholds are attained.

Welltower

On June 3, 2024, the Company amended its term loans, real estate loans and note payable with Welltower. See Note 10 – “*Long-Term Debt.*” These debt instruments’ maturities were extended through June 30, 2025, in exchange for a fee of \$11.5 million. The fee will continue to be paid in monthly installments through December 31, 2025.

On September 30, 2024, the Company’s real estate loans and note payable with Welltower were sold to two separate third parties, one of which is a related party of the Company. The sale included Company obligations to issue 41,700,453 Class A Shares provided that such issuance will be subject to dilution from new capital and a warrant for the purchase of 900,000 Class A Shares at an exercise price equal to \$1.00 per share. Additionally, the loans were extended through June 30, 2026.

Master Lease Restructure

On September 30, 2024, the Company amended a significant master lease agreement that includes 28 facilities. One of the landlord’s partners sold all its interests in the real estate to Welltower, which now owns 100% of the real estate. The amendment resulted in a reduction of annual rent of \$10.0 million. On October 10, 2024, the Company further negotiated a \$39.6 million forgiveness of outstanding rent. The lease forgiveness was recorded as “*Other (income) loss, net*” on the statement of operations for the year ended December 31, 2024.

Divestitures and Acquisitions

Gains and losses associated with transactions and divestitures are included in other income on the consolidated statements of operations, see Note 11 – “*Other (Income) Loss, Net.*”

Divestitures - 2025

On May 13, 2025, the Company sold the real property of two of its owned facilities in New Mexico for \$32.0 million. Approximately \$16.5 million of proceeds were used to retire the HUD-insured loans and pay closing costs, \$13.0 million of proceeds were used to repay an advance on sale and \$2.5 million was retained by the Company. The Company will continue to operate the facilities subject to a master lease with Omega. Initial annual rent is \$3.2 million.

The Company transferred or closed the operations of 14 leased facilities, for no consideration, and sold one owned facility in the year ended December 31, 2025. The owned facility was sold for \$8.0 million resulting in a gain on sale of \$5.1 million. The 15 combined facilities generated annual revenues of \$178.2 million and pre-tax loss of \$34.3 million in the full calendar year prior to divestiture. The divestitures include four facilities leased from a related party. See Note 12 – “*Related Party Transactions.*” The Company paid \$3.0 million in termination fees associated with the related party divestitures.

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Divestitures - 2024

On April 10, 2024, the Company sold its staffing services company for \$105.0 million. The Company received \$40.0 million in cash proceeds which were used to pay down \$36.9 million in borrowings under the ABL Credit Facilities and \$2.3 million in closing fees and indemnity escrow. The Company also received \$65.0 million in membership interests that are exchangeable into company stock of the acquiring entity. The staffing services company generated annual revenues of \$178.7 million and break-even pre-tax income for the year ended December 31, 2023. The Company recognized a gain on sale of \$24.9 million. The \$65.0 million membership interest was recorded as a long-term investment and as a long-term deferred gain at December 31, 2024. The investment and deferred gain have been written down to \$24.0 million as of December 31, 2025.

The Company transferred the operations of 36 leased facilities, two owned facilities and two consolidated joint venture facilities during the year ended December 31, 2024. The facilities generated annual revenues of \$487.9 million and pre-tax loss of \$51.1 million in the full calendar year prior to divestiture. The Company transferred the operations of 33 leased facilities and seven facilities included in the Vantage Point Partnership during the year ended December 31, 2023. The facilities generated annual revenues of \$384.0 million and pre-tax loss of \$16.5 million in the full calendar year prior to divestiture.

In connection with the operations transfer of eight facilities, included in the above, the Company received a settlement fee from the new operator of \$18.6 million in consideration of a partial termination of a purchase option agreement. On October 31, 2024, the full \$18.6 million was paid to Welltower to reduce the outstanding balance of the term loans. The settlement fee was recorded as a “*Loss (gain) on early extinguishment of debt*” in the accompanying consolidated statement of operations for the year ended December 31, 2024.

Employee Retention Credits

The Company applied and received the Employee Retention Credit (ERC) with the IRS. The ERC is a refundable credit on qualified wages paid to employees during the six quarters beginning April 1, 2020 and ending September 30, 2021. The Company received payments of \$141.7 million, which includes interest, in the year ended December 31, 2023. Due to the possibility of an IRS audit or other future unknown developments, the Company recognized \$65.0 million of ERC proceeds representing the amount of insurance coverage acquired by the Company in the event of potential IRS audit and repayment. The remaining balance of \$76.7 million was recorded as deferred income, which is included in “*Accrued expenses*” on the accompanying consolidated balance sheet as of December 31, 2024 and presented in liabilities subject to compromise as of December 31, 2025.

Loss Portfolio Transfer

On July 23, 2024, the Company executed a closeout agreement to settle outstanding workers’ compensation claims for policy years 2003 through 2023. The Company held letters of credit with a bank totaling \$98.7 million in favor of insurers. Restricted cash and cash equivalents of \$103.9 million were pledged as security for these letters of credit. Insurers received \$89.0 million as a closeout premium to assume all claim obligations. The remaining cash balance of \$14.9 million was made available to the Company as unrestricted cash. In the year ended December 31, 2024, the Company recorded \$28.6 million in additional workers’ compensation provision to adjust the reserves to the \$89.0 million closeout premium total. The \$28.6 million was included in “*Transaction costs*” in the accompanying consolidated statement of operations for the year ended December 31, 2024.

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(5) Revenues

Revenue Sources

The Company receives revenues from Medicare, Medicaid, commercial insurance, self-pay residents, other third-party payors and long-term care facilities that utilize its rehabilitation therapy and other services. The following table depicts the Company's inpatient services revenue by source for the years ended December 31, 2025 and 2024:

	Year ended December 31,	
	2025	2024
Medicare	16 %	17 %
Medicaid	63 %	61 %
Commercial insurance	12 %	13 %
Private	7 %	7 %
Other	2 %	2 %
Total	<u>100 %</u>	<u>100 %</u>

Disaggregation of Revenues

The Company disaggregates revenue from contracts with customers line of service and payor type. The disaggregation of revenue into these categories achieves the disclosure objectives to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The payment terms and conditions within the Company's revenue-generating contracts vary by contract type and payor source. Payments are generally received within 30 to 60 days after billing.

The composition of revenues by payor type and line of service for the years ended December 31, 2025 and 2024 was as follows (in thousands):

	Year ended December 31, 2025			
	Rehabilitation			Total
	Inpatient Services	Therapy Services	Other Services	
Medicare	\$ 392,975	\$ 101,674	\$ —	\$ 494,649
Medicaid	1,503,586	1	—	1,503,587
Commercial insurance	291,961	37,278	—	329,239
Private	162,825 (1)	—	—	162,825
Third-party providers	—	197,823	(24,348)	173,475
Other	54,433 (2)	28,055 (2)	214,127 (3)	296,615
Total revenues	<u>\$ 2,405,780</u>	<u>\$ 364,831</u>	<u>\$ 189,779</u>	<u>\$ 2,960,390</u>
	Year ended December 31, 2024			
	Rehabilitation			Total
	Inpatient Services	Therapy Services	Other Services	
Medicare	\$ 473,597	\$ 95,288	\$ —	\$ 568,885
Medicaid	1,668,368	635	—	1,669,003
Commercial insurance	367,356	40,780	—	408,136
Private	205,236 (1)	—	—	205,236
Third-party providers	—	256,694	(3,122)	253,572
Other	49,743 (2)	20,220 (2)	154,556 (3)	224,519
Total revenues	<u>\$ 2,764,300</u>	<u>\$ 413,617</u>	<u>\$ 151,434</u>	<u>\$ 3,329,351</u>

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- (1) Includes assisted/senior living revenue of \$41.7 million and \$59.4 million for the years ended December 31, 2025 and 2024, respectively. Such amounts do not represent contracts with customers.
- (2) Primarily consists of revenue from Veteran Affairs and administration of third-party facilities.
- (3) Includes revenues from all payors generated by the other services, excluding third party providers.

(6) Reorganization Items

Reorganization items consist of costs, expenses, gains, and losses directly associated with the reorganization of the business during the bankruptcy, since the filing. For the period of July 9, 2025 through December 31, 2025, reorganization items consist of the following (in thousands):

	Year ended
	December 31, 2025
Professional fees	\$ 73,724
Key employee retention program	10,126
Total reorganization items	<u>\$ 83,850</u>

(7) Property and Equipment

Property and equipment consisted of the following as of December 31, 2025 and 2024 (in thousands):

	December 31, 2025	December 31, 2024
Land, buildings and improvements	\$ 853,314	\$ 886,445
Equipment, furniture and fixtures	264,220	271,557
Gross property and equipment	1,117,534	1,158,002
Less: accumulated depreciation	(473,999)	(469,425)
Net property and equipment	<u>\$ 643,535</u>	<u>\$ 688,577</u>

Net property and equipment included \$575.5 million and \$594.9 million at December 31, 2025 and 2024, respectively, associated with the Company's consolidated VIEs. The sale of real estate of three facilities resulted in a write-off of \$13.9 million in net property and equipment. Depreciation expense related to property, plant and equipment was \$48.8 million and \$66.3 million for the years ended December 31, 2025 and 2024, respectively.

(8) Leases

The Company leases the majority of the skilled nursing facilities and assisted/senior living facilities used in its operations, most of which are subject to triple-net leases, meaning that in addition to rent, the Company is responsible for paying property taxes, insurance, and maintenance and repair costs. As of December 31, 2025, the Company leased 145 of its centers; 56% were leased pursuant to master lease agreements with three landlords. The Company also leases certain office space, land, and equipment. As of December 31, 2025, the Company held fixed-price options to purchase 34 facilities, 15 of which are subject to third-party leases and 19 of which are included within the Company's consolidated VIEs. On July 7, 2025, the Company exercised the two purchase options associated with the Next Partnership and the Cascade Partnership. The purchase options are subject to the bankruptcy filings. See Note 13 – "Subsequent Events – Chapter 11 Filing."

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The contractual maturities of total operating and finance lease obligations at December 31, 2025 is as follows (in thousands):

Year ending December 31,	Operating Leases	Finance Leases
2026	\$ 161,169	\$ 53,727
2027	167,041	58,047
2028	167,748	59,284
2029	165,143	60,768
2030	162,782	95,135
Thereafter	158,846	781,945
Total lease payments	982,729	1,108,906
Less interest	(178,955)	(509,370)
Total lease obligations	803,774	599,536
Less current portion	(283,564)	(13,657)
Long-term lease obligations	<u>\$ 520,210</u>	<u>\$ 585,879</u>

The impact of lease covenant failures noted below and the bankruptcy filing are not reflected in the maturity of lease table presented as of December 31, 2025.

The following table provides lease costs and income by line item on the consolidated statements of operations for the years ended December 31, 2025 and 2024 (in thousands):

	Classification	Year ended December 31,	
		2025	2024
Operating lease cost	Lease expense	\$ 144,913	\$ 175,281
Finance lease cost:			
Amortization of finance lease ROU assets	Depreciation and amortization expense	21,161	31,871
Interest on finance lease obligations	Interest expense	47,573	56,679
Total finance lease expense		68,734	88,550
Variable lease cost	Other operating expenses	18,707	24,354
Short-term leases	Other operating expenses	6,249	8,044
Sublease income	Net revenues	(760)	(1,399)
Total		<u>\$ 237,843</u>	<u>\$ 294,830</u>

The following table provides remaining lease term and discount rates by lease classification as of December 31, 2025 and 2024:

Lease Term and Discount Rate	December 31, 2025	December 31, 2024
Weighted-average remaining lease term (years)		
Operating leases	4.9	6.5
Finance leases	15.8	16.8
Weighted-average discount rate		
Operating leases	7.8%	7.9%
Finance leases	7.9%	8.0%

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The following table includes supplemental lease information for the years ended December 31, 2025 and 2024 (in thousands):

Other Information	Year ended December 31,	
	2025	2024
Cash paid for amounts included in the measurement of lease obligations		
Operating cash flows from operating leases	\$ 160,850	\$ 187,006
Operating cash flows from finance leases	47,573	56,679
Financing cash flows from finance leases	7,775	4,388
Right-of-use assets obtained in exchange for new lease obligations		
Operating leases	183,443	22,015

Lease Covenants

The Company's lease agreements generally contain covenant requirements that, among other things, and subject to certain exceptions, impose operating and financial restrictions on the Company and its subsidiaries. These leases also require the Company to meet defined financial covenants, such as a minimum consolidated fixed charge coverage. Certain of the Company's leases include cross-default provisions with each other and certain material debt instruments.

At December 31, 2025, the Company did not meet certain financial covenants contained in three leases related to 27 of its facilities. The Company is, and expects to continue to be, current in the timely payment of its obligations under these leases. The leases do not trigger cross default provisions in any of the Company's other loan or lease agreements. The Company will continue to work with the related credit parties to amend the leases and the related financial covenants. The Company does not believe the breach of such financial covenants at December 31, 2025 will have a material adverse impact on its financial condition or results of operations. The Company has been afforded certain cure rights to such defaults by posting collateral in the form of additional letters of credit or security deposit.

All finance lease and operating lease obligations, except those associated with consolidated VIEs, have been classified as "Liabilities subject to compromise" at December 31, 2025. See Note 9 – "Liabilities Subject to Compromise".

(9) Liabilities Subject to Compromise

Liabilities subject to compromise represents prepetition obligations that are not fully secured and have at least a possibility of not being repaid at the full claim amount. Liabilities subject to compromise consist of the following at December 31, 2025 (in thousands):

Liabilities subject to compromise

Current portion of long-term debt	\$ 1,027,649
Current portion of finance lease obligations	13,657
Current portion of operating lease obligations	283,457
Accounts payable	333,021
Accrued expenses	344,175
Accrued compensation	43,078
Current portion of self-insurance reserves	92,834
Long-term debt, net	61,134
Finance lease obligations, net	585,879
Operating lease obligations, net	519,889
Self-insurance reserves, net	261,066
Other long-term liabilities	152,441
	<u>\$ 3,718,280</u>

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(10) Long-Term Debt

Long-term debt at December 31, 2025 and 2024 consisted of the following (in thousands):

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Asset based lending facilities, net of debt issuance costs of \$1,989 and \$3,648 at December 31, 2025 and 2024, respectively	\$ 274,157	\$ 308,186
Term loan agreements, net of debt issuance costs of \$0 and \$5,308 at December 31, 2025 and 2024, respectively	338,188	301,939
Real estate loans	351,555	330,421
Debtor-in-possession loans	32,265	—
Notes payable	14,885	14,885
Convertible notes	111,134	108,089
Mortgages and other secured debt (non-recourse), net of debt issuance costs of \$4,601 and \$7,151 at December 31, 2025 and 2024, respectively	559,828	579,349
	1,682,012	1,642,869
Less: Current portion of long-term debt	(1,416,036)	(6,018)
Long-term debt, net	<u>\$ 265,976</u>	<u>\$ 1,636,851</u>

Asset Based Lending Facilities

The Company is a party to asset-based lending credit facilities (ABL Credit Facilities) with affiliates of White Oak Healthcare Finance, LLC (White Oak). The ABL Credit Facilities have been amended numerous times since its inception. At December 31, 2025, total available commitments are \$460.0 million comprised of (a) a \$215.0 million base revolving commitment, (b) a \$72.0 million HUD revolving credit commitment, and (c) a \$173.0 million delayed draw commitment.

The ABL Credit Facilities, as amended, have a stated maturity of March 9, 2027 and include a springing maturity clause that would accelerate the maturity date 90 days prior to the maturity of the Term Loan Agreement, as amended, as defined below. As a result of the springing maturity clause, the borrowings of \$274.2 million, net of debt issuance costs, under the ABL Credit facilities are due on April 1, 2026. Borrowings under the term loan and revolving credit facility components of the ABL Credit Facilities bear interest at a 90-day SOFR reference rate (subject to a floor of 0.5%) plus an applicable margin range of 4.20% and 4.85%. Borrowings under the delayed draw component bear interest at a 90-day SOFR reference rate (subject to a floor of 0.5%) plus an applicable margin range of 5.77% and 6.24%. Borrowing levels under the term loan and revolving credit facility components of the ABL Credit Facilities are limited to a borrowing base that is computed based upon the level of eligible accounts receivable.

The Company is required to pay a commitment fee to the lenders for any unutilized commitments. The commitment fee rate equals 0.5% per annum on the commitments that exceed outstanding borrowings. In addition, the Company is required to pay letter of credit fees at a rate equal to the applicable margin of 4.20% to 4.85% on any undrawn face amount of such letters of credit.

The Company is required to pay a termination fee upon early retirement of the commitments. The termination fee is equal to 0.5% for commitments retired prior to March 9, 2026 and 0.0% thereafter.

The ABL Credit Facilities contain representations and warranties, affirmative covenants, negative covenants, financial covenants and events of default and security interests that are customarily required for similar financings. Financial covenants include a minimum consolidated fixed charge coverage ratio and minimum liquidity. The minimum consolidated fixed charge coverage ratio is 1.20 to 1.00 as of December 31, 2025. The Company is also required to maintain minimum liquidity of \$62.0 million as of the last day of each month. As of December 31, 2025, the Company is not in compliance with the minimum consolidated fixed charge coverage ratio covenant.

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Borrowings and interest rates under the White Oak ABL Credit Facilities were as follows at December 31, 2025 (dollars in thousands):

ABL Credit Facilities	Commitment	Borrowings	Weighted Average Interest
Term loan facility	\$ 215,000	\$ 215,000	8.64 %
Revolving credit facility (Non-HUD)	173,000	5,458	8.64 %
Revolving credit facility (HUD)	72,000	55,688	9.79 %
	<u>\$ 460,000</u>	<u>\$ 276,146</u>	<u>8.87 %</u>

Term Loan Agreements

The Company and certain of its affiliates (the Borrower) are party to a term loan agreement, as amended (the Term Loan Agreement), with an affiliate of Welltower Inc. (Welltower) and an affiliate of Omega Healthcare Investors, Inc. (Omega). The Term Loan Agreement provided for term loans (the Term Loans) in the aggregate principal amount of \$160.0 million. The Term Loans provide that 60% and 40% of the outstanding balance and interest accrued thereon is due to affiliates of Welltower and Omega, respectively. The original Term Loan for \$120.0 million bore interest at a rate equal to 14.0% per annum, with up to 9.0% per annum to be paid in-kind, while the additional Term Loan for \$40.0 million bore interest at a rate equal to 10.0% per annum, with up to 5.0% per annum to be paid in-kind. The Welltower affiliate's portion of the interest payable under the Term Loans may be fully paid in-kind at the option of the Company, subject to the satisfaction of certain conditions. The Omega affiliate's portion of the interest payable does not include the fully paid-in-kind option.

On September 30, 2024, Welltower sold \$68.8 million of the Term Loans to two separate third parties, \$55.5 million to a related party, Wax Dynasty Partners (Wax) and \$13.3 million to an unrelated third party. The maturity date was extended to June 30, 2026. Beginning January 1, 2025, interest payable to the Welltower affiliate is fully paid in cash as the paid in-kind option terminates. Interest payable to the new lenders is paid in-kind. The Omega outstanding obligations and interest rates remain unchanged. The split between cash and paid in-kind interest payable to Omega will change effective September 1, 2025 with paid in-kind decreasing to 3.5% and cash interest increasing to 10.5% on the original Term Loan and paid in-kind decreasing to 2.5% and cash interest increasing to 7.5% on the additional Term Loan. The Term Loans had an outstanding accreted principal balance of \$338.2 million and \$301.9 million, net of debt issuance costs, at December 31, 2025 and 2024, respectively.

The Term Loan Agreement is secured by a first priority lien on the equity interests of the subsidiaries of the Company and the Borrower as well as certain other assets of the Company, the Borrower and their subsidiaries, subject to certain exceptions. Omega holds a priority collateral in the Company's ancillary lines of services. Welltower holds a priority collateral in certain inpatient operations, joint ventures and owned real estate. The Term Loan Agreement is also secured by a junior lien on the assets that secure the ABL Credit Facilities on a first priority basis. Welltower and Omega, or their respective affiliates, are each currently landlords under certain master lease agreements to which the Company and/or its affiliates are tenants.

Real Estate Loans

The Company was subject to two real estate loan agreements and one note payable with Welltower. All of the underlying real estate that secured the loans were sold in prior years. The real estate loans and note payable bear interest at an annual rate of 12% and 10%, respectively, which are entirely paid-in-kind, with a balloon payment due at maturity. On September 30, 2024, Welltower sold these loans to Wax and an unrelated third party. Welltower sold \$24.2 million of the real estate loans and \$296.5 million of the real estate loans and note payable to these parties. The loans were extended until December 31, 2026 and there were no other changes to the loan terms.

The unsecured loans had an outstanding accreted principal balance of \$351.6 million and \$330.4 million at December 31, 2025 and 2024, respectively.

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Debtor-in-Possession Loans

On July 9, 2025, the Company secured DIP financing commitment totaling \$30.0 million with Welltower. The lenders include Welltower, Omega and Wax. The DIP loans incur interest at 14% per annum paid in-kind and mature the earlier of 210 days from the petition date or upon certain termination events. The DIP loans include an upfront fee equal to 2% of the commitment payable in-kind and an exit fee equal to 4% of the commitment payable in cash on the termination date. The DIP loans had an outstanding accreted principal balance of \$32.3 million at December 31, 2025.

Notes Payable

The Company converted trade payables into a note payable. The note, as amended, requires monthly interest payments based on an annual interest rate of 8.5%. The note payable was interest only until January 2025. As of December 31, 2025 and 2024, the outstanding principal balance of the note payable was \$14.9 million. The note payable has a maturity date of December 31, 2026.

Convertible Notes

On March 2, 2021, the Company issued a \$50.0 million convertible promissory note to ReGen Healthcare, LLC (ReGen). The note has a stated maturity date of March 2, 2026 and bears interest at 1.0% per annum, payable at maturity. The note is convertible into baskets of securities (Conversion Baskets), each comprised of one Class A common unit of FC-GEN (Class A Unit) and one Class C common stock of Genesis (Class C Share), subject to adjustment. The note contains both automatic and optional conversion terms, whereby the note may be converted into 69,500,755 Conversion Baskets, subject to adjustment, which represent 25% of the fully diluted share capital of the Company, upon the occurrence of certain events.

On December 2, 2022, the Company issued a \$10.0 million convertible promissory note to ReGen. The note has a stated maturity date of December 2, 2027 and bears interest at 1.0% per annum, payable at maturity. The note contains both automatic and optional conversion terms, whereby the note may be converted into 13,830,831 Conversion Baskets, subject to adjustment.

On January 4, 2023, the Company issued a \$15.0 million convertible promissory note to ReGen. The note has a stated maturity date of January 4, 2028 and bears interest at 1.0% per annum, payable at maturity. The note contains both automatic and optional conversion terms, whereby the note may be converted into 20,745,572 Conversion Baskets, subject to adjustment.

On May 24, 2023, the Company issued a \$25.0 million convertible promissory note to ReGen. The note has a stated maturity date of January 4, 2028 and bears interest at 1.5% per month, paid-in-kind. The note contains optional conversion terms, whereby the note may be converted into 100,000 Conversion Baskets per \$1,000 principal amount of the note, subject to adjustment. As of December 31, 2025 and 2024, the outstanding principal balance of the convertible promissory note was \$36.1 million and \$33.1 million, respectively.

Mortgages and other secured debt (non-recourse)

The Company's consolidated joint ventures and VIEs are subject to various loans, as set forth below. These loans are labeled "non-recourse" because neither the Company nor any of its wholly owned subsidiaries is obligated to perform under the respective loan agreements.

Next Partnership Debt

The Next Partnership is subject to a term loan agreement with an original principal balance of \$62.0 million and maturity date of December 1, 2029. The term loan bears interest at SOFR (minimum of 3%) plus 3.00%. The Next Partnership incurred closing debt issuance costs of \$1.1 million. The term loan was collateralized by five facilities and had an outstanding principal balance of \$61.4 million and \$62.0 million at December 31, 2025 and 2024, respectively.

The Next Partnership includes five facilities that are subject to HUD-insured loans. The loans mature on dates ranging from January 1, 2055 through September 1, 2055. The loans bear interest at fixed rates ranging from 2.79% to 3.15% and had an aggregate outstanding principal balance of \$61.0 million and \$62.2 million at December 31, 2025 and 2024, respectively.

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Vantage Point Partnership Debt

The Vantage Point Partnership is subject to a term loan agreement with an aggregate original principal balance of \$240.9 million and maturity date of September 12, 2026. The term loan bears interest at SOFR (subject to a floor of 1.75%) plus 3.75%. Principal payments are calculated based on a 25-year amortization schedule which, after giving effect to any prior refinancing or other repayments of the term loan, will be applied to the remaining term loan balance. The term loan had an outstanding principal balance of \$167.8 million and \$170.9 million at December 31, 2025 and 2024, respectively. The term loan was collateralized by 12 facilities as of December 31, 2025.

The Vantage Point Partnership is subject to a promissory note in the amount of \$76.8 million, the entire balance of which was outstanding at December 31, 2025 and 2024. The promissory note bears interest at 14.0% and matures on September 12, 2028.

Cascade Partnership Debt

The Cascade Partnership is subject to a term loan agreement with an aggregate principal balance of \$187.0 million and maturity date of August 11, 2026. The term loan bears interest at 30-day term SOFR (subject to a floor of 3.0%) plus 4.25% and is subject to interest-only payments through the maturity date. The entire term loan balance of \$187.0 million was outstanding as of December 31, 2025 and 2024. The term loan is collateralized by nine facilities as of December 31, 2025.

HUD-Insured Loans

On May 13, 2025, the Company sold the real property of two of its HUD-insured facilities retiring \$16.5 million of debt. The HUD-insured loans for owned facilities had an aggregate principal balance of \$8.2 million and \$24.7 million at December 31, 2025 and 2024, respectively. As of December 31, 2025, the Company had one owned, non-recourse loans insured by HUD with an interest rate of 2.99%.

Other Non-Recourse Debt

The Company has one other consolidated joint venture non-recourse loan secured by the underlying real and personal property of an individual facility. The loan bears interest at 7.50%, matures on November 10, 2028 and had an outstanding principal balance of \$2.5 million and \$2.9 million at December 31, 2025 and 2024, respectively.

The maturity of total debt of \$1,688.6 million, excluding debt issuance costs and other non-cash debt discounts and premiums, at December 31, 2025 is as follows (in thousands):

Twelve months ended December 31,	
2026	\$ 1,140,993
2027	293,003
2028	132,172
2029	59,990
2030	1,726
Thereafter	60,718
Total debt maturity	\$ 1,688,602

All recourse debt instruments have been classified as “*Liabilities subject to compromise*” at December 31, 2025. See Note 9 – “*Liabilities Subject to Compromise*”. The Company ceased accruing interest as of the Chapter 11 filing date on its recourse real estate loans, notes payable and convertible notes.

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(11) Other (Income) Loss, Net

In the years ended December 31, 2025 and 2024, the Company completed multiple transactions, including the divestiture of numerous skilled nursing facilities and the termination or modification of certain lease agreements. See Note 4 – “*Significant Transactions and Events.*” These transactions resulted in a net (gain) loss recorded as “*other (income) loss, net*” in the consolidated statements of operations. The following table summarizes the net (gains) losses (in thousands):

	Year ended December 31,	
	2025	2024
Gain on sale of owned assets (1)	\$ (26,048)	\$ (55,090)
Loss recognized on divestiture of operations (2)	4,672	14,892
(Gain) loss on lease termination or modification (3)	(12,815)	100,728
Total other (income) loss, net	<u>\$ (34,191)</u>	<u>\$ 60,530</u>

- (1) The Company sold the real estate of three owned facilities in the year ended December 31, 2025. The Company sold its staffing services business, one owned facility, two consolidated joint ventures and an office building in the year ended December 31, 2024. The gain represents the difference between the carrying value of the assets sold and the sale proceeds.
- (2) The Company divested the operations of 15 facilities and 40 facilities in the years ended December 31, 2025 and 2024, respectively. Upon divestiture, the Company recognized exit costs for uncollectible accounts receivable resulting from a sale, the write-off of inventory balances assumed by the new operator, and other costs associated with the transition of operations. Upon acquisition, the Company established an inventory balance assumed from the old operator.
- (3) The Company amended multiple lease agreements in the years ended December 31, 2025 and 2024 as a result of facility divestitures. Lease terminations may be the result of divested operations or sales of real property between landlords for retained operations. Each lease amendment triggers a lease reassessment, which includes possible lease reclassification and assumption of renewal options. Upon termination, the respective lease liability and ROU asset balances are adjusted proportionately, with offsetting adjustments recorded as other income, in certain circumstances.

(12) Related Party Transactions

The Company provides rehabilitation services to certain facilities owned and operated by two customers in which certain members of the Company’s board of directors, board observer, shareholders and affiliates with greater than 5% of the Company’s Class A common stock beneficially own an ownership interest. In the case of one significant customer, these services resulted in net revenues of \$20.2 million and \$24.0 million in the years ended December 31, 2025 and 2024. Services resulted in net accounts receivable balances of \$4.6 million and \$2.3 million at December 31, 2025 and December 31, 2024, respectively. In the case of the other customer, the Company recorded net revenues of \$9.6 million and \$9.2 million in the years ended December 31, 2025 and 2024. Services resulted in net accounts receivable balances of \$2.4 million and \$2.2 million at December 31, 2025 and December 31, 2024, respectively.

The consolidated financial statements include the accounts of three strategic partnerships, in which the Company holds a membership interest of between 30% and 50%. Certain members of the Company’s Board of Directors or affiliate each directly or indirectly hold an ownership interest in each of the partnerships. These partnerships own the real property of skilled nursing facilities in which the Company operates. The total property and equipment associated with the strategic partnerships was \$564.0 million and \$582.1 million at December 31, 2025 and 2024, respectively. The total debt associated with the strategic partnerships was \$550.4 million and \$552.3 million at December 31, 2025 and 2024, respectively. On July 7, 2025, the Company exercised the purchase options on two of the strategic partnerships.

The Company is party to a master lease and several debt instruments with Welltower, which holds greater than 5% of the Company’s Class A common stock. The Company leases 28 facilities for an annual rent of \$54.2 million. During the years ended December 31, 2025 and 2024, the Company recorded cash interest on debt instruments due to Welltower of \$11.2 million and \$5.6 million, respectively.

The Company holds a 50% interest in 30 facilities in the states of California, Washington and Nevada (the NewGen Partnership). The Company does not hold a controlling financial interest in the NewGen Partnership. The Company provided \$9.0 million in financing to the NewGen Partnership. The Company provides therapy services pursuant to services agreements. Total income recorded for therapy services was \$19.8 million and \$15.1 million for the years ended December 31, 2025 and 2024, respectively. The therapy services resulted in net accounts receivable balances of \$27.7 million and \$10.5 million at December 31, 2025 and 2024, respectively.

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The Company has four convertible notes totaling \$111.1 million due and payable to ReGen. The Company has an affiliate who holds ownership interest in ReGen. See Note 10 – “*Long-Term Debt – Convertible Notes.*”

The Company has a term loan, real estate loan and DIP loan totaling \$116.5 million due and payable to Wax. The Company has an affiliate who holds ownership interest in Wax. See Note 10 – “*Long-Term Debt.*”

The Company leases 23 facilities in Pennsylvania under master leases for an annual rent of \$45.9 million. An affiliate of the Company and Welltower hold ownership interests in the landlord. The Company had monthly termination fee obligations for four facilities in Colorado that were subject to the master leases but divested August 1, 2023. Effective January 1, 2025, 22 of the 23 facilities are now subleased from an unaffiliated third-party landlord leaving one closed facility still subject to the original lease. On August 22, 2025, the bankruptcy court issued a motion order rejecting the leases for the closed facility and divested Colorado facilities. Those obligations are classified as “*Liabilities subject to compromise*” at December 31, 2025.

The Company leases four facilities in New Hampshire from a landlord under a master lease for an annual rent of \$3.0 million. An affiliate holds ownership interest in the landlord.

The Company was a party to a consulting agreement with a firm to provide operational and clinical services for an annual sum of \$4.2 million. An affiliate holds ownership interests in the firm. The Company paid \$2.1 million in the first six months of 2025.

(13) Commitments and Contingencies

Loss Reserves for Certain Self-Insured Programs

General and Professional Liability

The Company self-insures for general and professional liabilities through the use of self-insurance or retrospective and self-funded insurance policies and other hybrid policies, which vary among states in which the Company operates, to provide for potential liabilities for general and professional liability claims. General and professional liability policies are typically written for a duration of 12 months or less and are measured on a “claims made” basis.

The provision for general and professional liability risks totaled \$91.8 million and \$66.4 million for the years ended December 31, 2025 and 2024, respectively. The reserves for general and professional liability, which are recorded on an undiscounted basis, were \$328.6 million and \$245.7 million as of December 31, 2025 and 2024, respectively.

Workers’ Compensation

Prior to September 27, 2024, the Company also self-insured for workers’ compensation liabilities. The Company self-insured to its deductible and purchased statutorily required insurance coverage in excess of its deductible. Excess insurance policies are typically written for a duration of 12 months or less and are measured on an “occurrence” basis. Beginning on September 27, 2024, the Company contracted with a third-party firm to provide workers’ compensation coverage under an annual fixed guaranteed cost program. The total contracted cost of the first annual plan was \$26.5 million plus fees. The total contracted cost of the second annual plan is \$23.5 million plus fees. The firm will manage all coverage and claims processing for the two-year period ending September 26, 2026.

The provision for workers’ compensation risks totaled \$29.1 million and \$28.8 million for the years ended December 31, 2025 and 2024, respectively. The loss reserves for workers’ compensation risks were \$25.7 million and \$32.4 million as December 31, 2025 and 2024, respectively. These reserves are discounted based on actuarial estimates of claim payment patterns. The discount rates are based upon the risk-free rate for the appropriate duration for the respective policy year.

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Risks Associated with Self-Insured Programs

There is a risk that amounts funded by the Company's self-insurance programs may not be sufficient to respond to all claims asserted under those programs. Insurance reserves represent estimates of future claims payments. This liability includes an estimate of the development of reported losses and losses incurred but not reported. Provisions for changes in insurance reserves are made in the period of the related coverage. Estimated insurance recoveries related to recorded liabilities are reflected as assets in the Company's consolidated balance sheets when the receipt of such amounts is deemed to be probable.

The Company's management employs its judgment and periodic independent actuarial analysis in determining the adequacy of certain self-insured workers' compensation and general and professional liability obligations recorded as liabilities in the Company's consolidated financial statements. The Company evaluates the adequacy of its self-insurance reserves on a semi-annual basis or more frequently when it is aware of changes to its incurred loss patterns that could impact the accuracy of those reserves. The methods of making such estimates and establishing the resulting reserves are reviewed periodically and are based on historical paid claims information and nationwide nursing home trends. The foundation for most of these methods is the Company's actual historical reported and/or paid loss data. Any adjustments resulting therefrom are reflected in current earnings. Claims are paid over varying periods, and future payments may be different than the estimated reserves.

The Company utilizes a combination of in-house and outside legal counsel, along with systems designed to maintain and process claims to provide it with the data utilized in its assessments of reserve adequacy. These functions and systems ensure that the claims are properly administered so that the historical data is reliable for estimation purposes. Case reserves, which are approved by the Company's legal and risk management departments, are determined based on an estimate of the ultimate settlement and/or ultimate loss exposure of individual claims.

Health Insurance

The Company offers employees an option to participate in self-insured health plans. Health insurance claims are paid as they are submitted to the plans' administrators. The Company maintains an accrual for claims that have been incurred but not yet reported to the plans' administrators and therefore have not yet been paid. This accrual for incurred but not yet reported claims was \$6.8 million and \$7.2 million as of December 31, 2025 and 2024, respectively. The liability for the self-insured health plan is recorded in accrued compensation in the consolidated balance sheets. Although management believes that the amounts provided in the Company's consolidated financial statements are adequate and reasonable, there can be no assurances that the ultimate liability for such self-insured risks will not exceed management's estimates.

Legal Proceedings

The Company and certain of its subsidiaries are involved in various litigation and regulatory investigations arising in the ordinary course of business. While there can be no assurance, based on the Company's evaluation of information currently available, management does not believe the results of such litigation and regulatory investigations would have a material adverse effect on the results of operations, financial position or cash flows of the Company. However, the Company's assessment may be affected by limited information (particularly in the early stages of government investigations). Accordingly, the Company's assessment may change in the future based upon availability of discovery and further developments in the proceedings at issue. The results of legal proceedings are inherently uncertain, and material adverse outcomes are possible.

From time to time the Company may enter into confidential discussions regarding the potential settlement of pending investigations or litigation. There are a variety of factors that influence the Company's decisions to settle and the amount it may choose to pay, including the strength of the Company's case, developments in the investigation or litigation, the behavior of other interested parties, the demand on management time and the possible distraction of the Company's employees associated with the case and/or the possibility that the Company may be subject to an injunction or other equitable remedy. The settlement of any pending investigation, litigation or other proceedings could require the Company to make substantial settlement payments and result in incurring substantial costs.

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(14) Subsequent Events

Chapter 11 Filing

On January 23, 2026, the Company and 101 West State Street Holdings LLC (the Buyer) entered an asset purchase agreement, later amended on April 17, 2026, for a purchase price of approximately \$1 billion. The Buyer is associated with NewGen Partnership. See Note 12 – “*Related Party Transactions.*” The purchase price consists of the following: cash in the amount of \$343.0 million, a promissory note of \$97.0 million, a refinance by Buyer of the ABL Credit Facilities, and the assumption of assumed liabilities. Buyer shall receive, with some exclusions, all cash, accounts receivable, real and personal property, joint venture interests, assigned leases and contracts, tax credits, purchase options and other assets of the Company. If Buyer elects to consummate the exercise of the NextGen Partnership and Cascade Partnership purchase options, Buyer must have sufficient cash to fund the transactions at closing. The closing date of the transaction will occur on the last business day of the month when all sale conditions are satisfied but in no event later than June 30, 2026. The closing date can be extended until September 30, 2026. The Company has incurred professional fees of \$34.7 million in the three months ended March 31, 2026.

On April 20, 2026, the bankruptcy court approved a settlement agreement between the Company and Buyer whereby Buyer acquired all equity interests, assets and contract rights in the NewGen Partnership for \$57.5 million. The settlement amount includes net balances owed between the Company and the Buyer as of the bankruptcy filing date. The Company and Buyer executed a promissory note for the \$57.5 million, which is to be paid in installments with a maturity date not to exceed September 30, 2026. The note includes forgiveness clauses and accrues interest at 15% per annum.

Debtor-in-Possession Loans

On March 2, 2026, the Company secured a new DIP financing with an initial commitment of \$80.0 million, which can be expanded to a total commitment of \$105.0 million. The DIP loans incur interest at 12% per annum payable in cash and mature the earlier of September 30, 2026, or upon certain termination events. The DIP loans include an initial commitment fee of 2% payable in cash and an exit fee of 1% on the commitment payable in cash on the termination date. The Company drew \$75.0 million using \$36.0 million of the proceeds to retire the original outstanding DIP loan.

Divestiture

On January 1, 2026, the Company transferred the operations of one leased facility, for no consideration. The facility generated annual revenues of \$17.2 million and pre-tax loss of \$0.9 million in the full calendar year prior to divestiture.

The Company did not have any other material subsequent events through April 29, 2026, which is the date the consolidated financial statements were available to be issued.