As filed with the Securities and Exchange Commission on April 1, 2024.

Registration No. 333-277893

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

AMENDMENT NO. 2
TO
FORM S-1
REGISTRATION STATEMENT
Under The Securities Act of 1933

PACS Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	8051	92-3144268
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

262 N. University Ave.
Farmington, Utah 84025
(801) 447-9829
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Jason Murray
Chief Executive Officer
PACS Group, Inc.
262 N. University Ave.
Farmington, Utah 84025
(801) 447-9829
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

B. Shayne Kennedy J. Ross McAloon Latham & Watkins LLP 650 Town Center Drive, 20th Floor Costa Mesa, CA 92626 (714) 540-1235	John Mitchell Chief Legal Officer and General Counsel 262 N. University Ave. Farmington, Utah 84025 (801) 447-9829	Benjamin K. Marsh Adam V. Johnson Goodwin Procter LLP The New York Times Building 620 Eighth Avenue New York, NY 10018 (212) 813-8800

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Subject to Completion. Dated April 1, 2024.

PRELIMINARY PROSPECTUS

19,050,000 Shares

PACS

Common Stock

This is an initial public offering of common stock of PACS Group, Inc. We are offering 19,050,000 shares of our common stock. Prior to this offering, there has been no public market for our common stock. It is currently estimated that the initial public offering price will be between $20.00 and $22.00 per share of our common stock. We have applied to list our common stock on the New York Stock Exchange under the symbol "PACS." If our listing application is not approved, we will not proceed with this offering.

Our founders, as selling stockholders, have granted the underwriters an option for a period of up to 30 days to purchase up to an additional 2,857,500 shares of our common stock from them at the initial public offering price, less the underwriting discounts and commissions. We will not receive any proceeds from the sale of shares of our common stock by the selling stockholders.

Following this offering, our founders will collectively own a significant majority of our common stock, representing approximately 87.1% of the voting power of our common stock (or approximately 85.2% if the underwriters exercise their option to purchase additional shares of our common stock from the selling stockholders in full). In addition, following this offering, pursuant to the terms of our amended and restated certificate of incorporation (Amended and Restated Charter) to be filed in connection with this offering and our Stockholders Agreement (as defined herein), our founders will be able to control or significantly influence corporate matters for the foreseeable future. For example, immediately following this offering, our founders will collectively have the right to designate four directors, which represents the entirety of our current four member board of directors. In addition, for so long as our founders beneficially own, in the aggregate, the majority of the voting power of our outstanding shares of voting stock, our founders will be able to remove any of our directors at any time with or without cause and may take action by written consent without a meeting of stockholders. This concentrated control, due to both the provisions of the Amended and Restated Charter and Stockholders Agreement and the voting power of our common stock, will limit or preclude your ability to influence corporate matters for the foreseeable future, including with respect to the composition of our board of directors and election of directors, the authorization and issuance of additional shares of our common stock that may be dilutive to you, amendments to our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval.

Following this offering, we will be a "controlled company" within the meaning of the corporate governance standards of the New York Stock Exchange. As a "controlled company," we intend to rely on the exemptions from certain corporate governance standards of the New York Stock Exchange.

See the sections titled "Management—Director Independence and Controlled Company Exception," "Certain Relationships and Related Party Transactions—Stockholders Agreement" and "Description of Capital Stock."

Investing in our common stock involves risks. See the section titled "Risk Factors" beginning on page 21 to read about the factors you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial public offering price	$	$
Underwriting discounts and commissions[(1)]	$	$
Proceeds, before expenses, to us	$	$

(1) We have agreed to reimburse the underwriters for certain expenses in connection with this offering. See the section titled "Underwriting (Conflicts of Interest)" for a description of the compensation payable to the underwriters.

The underwriters expect to deliver the shares of common stock to purchasers on or about , 2024.

Citigroup **J.P. Morgan** **Truist Securities**

RBC Capital Markets **Goldman Sachs & Co. LLC**

Stephens Inc. **KeyBanc Capital Markets** **Oppenheimer & Co.** **Regions Securities LLC**

Prospectus dated , 2024.


PACS
Healthcare
Elevated
PACS


STONEY POINT


TRELLIS
PARADISE

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You should rely only on the information contained in this prospectus or contained in any free writing prospectus filed with the Securities and Exchange Commission (SEC) prepared by or on behalf of us that we have referred to you. Neither we nor the underwriters have authorized anyone to provide you with any information other than that contained in this prospectus, any amendment or supplement to this prospectus or in any free writing prospectus we may authorize to be delivered or made available to you. Neither we, the selling stockholders, nor the underwriters take responsibility for, and can provide assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares of our common stock offered by this prospectus, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of shares of our common stock. Our business, financial condition, results of operations, and prospects may have changed since such date.

For investors outside of the United States: We have not, the selling stockholders have not, and the underwriters have not, done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside of the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, this offering and the distribution of this prospectus outside of the United States.

GENERAL INFORMATION

Industry, Market and Other Data

This prospectus contains estimates, projections and information concerning our industry, our business and data regarding the market size and growth rates of the markets in which we participate. Some data and statistical and other information are based on independent reports from third parties, as well as industry and general publications and research, surveys and studies conducted by third parties. Some data and statistical and other information are based on internal estimates and calculations that are derived from publicly available information, research we conducted, internal surveys, our management's knowledge of our industry and their assumptions based on such information and knowledge, which we believe to be reasonable.

In each case, this information and data involves a number of assumptions and limitations. Industry publications and other reports we have obtained from independent parties may state that the data contained in these publications or other reports have been obtained in good faith or from sources considered to be reliable, but they do not guarantee the accuracy or completeness of such data. In addition, projections, assumptions and estimates of the future performance of the industry in which we operate and our future performance are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk Factors" and "Special Note Regarding Forward-Looking Statements." These and other factors could cause our future performance to differ materially from the assumptions and estimates made by third parties and us.

Trademarks, Trade Names and Service Marks

PACS, our logos and our other registered or common law trade names, trademarks or service marks appearing in this prospectus are the property of PACS Group, Inc. or our subsidiaries. This prospectus contains additional trade names, trademarks and service marks of other companies that are the property of their respective owners. We do not intend our use or display of other companies' trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, these other companies. Solely for convenience, the trade names, trademarks and service marks referred to in this prospectus may appear without the ®, ™ or SM symbols, but the omission of such references is not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights thereto or that the applicable owner of these trade names, trademarks and service marks will not assert, to the fullest extent under applicable law, its rights thereto.

Basis of Presentation

Certain monetary amounts, percentages and other figures included elsewhere in this prospectus have been subject to rounding adjustments. Percentage amounts included in this prospectus have not in all cases been calculated on the basis of such rounded figures, but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this prospectus may vary from those obtained by performing the same calculations using the figures in our combined/consolidated financial statements included elsewhere in this prospectus. Accordingly, certain other figures and amounts that appear as totals in this prospectus may not be the arithmetic aggregation of the figures or amounts that precede them, and figures or amounts expressed as a percentage may not total 100% or be the arithmetic aggregation of the percentages that precede them.

PROSPECTUS SUMMARY

This summary highlights selected information contained in more detail elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should carefully read this prospectus in its entirety before investing in our common stock, including the sections titled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Special Note Regarding Forward-Looking Statements," and our audited combined/consolidated financial statements and the related notes included elsewhere in this prospectus, before making an investment decision. Unless the context otherwise requires, the terms "we," "us," "our," the "Company," "PACS" and similar references in this prospectus refer to PACS Group, Inc. together with its consolidated subsidiaries.

Business Overview

We are a leading post-acute healthcare company primarily focused on delivering high-quality skilled nursing care through a portfolio of independently operated facilities. Founded in 2013, we are one of the largest skilled nursing providers in the United States based on number of facilities, with over 200 post-acute care facilities across nine states serving over 20,000 patients daily. We also provide senior care, assisted living, and independent living options in some of our communities. Our significant historical growth has been primarily driven by our expertise in acquiring underperforming long-term custodial care skilled nursing facilities and transforming them into higher acuity, high value-add short-term transitional care skilled nursing facilities. We believe our success is driven in significant part by our decentralized, local operating model, through which we empower local leaders at each facility to operate their facility autonomously and deliver excellence in clinical quality and a superior experience for our patients. We provide our independently operated facilities with a comprehensive suite of technology, support, and back-office services that allow local leadership teams to focus more of their time and effort on providing quality care to patients. We believe our operating model delivers value to all of our healthcare stakeholders, including patients and families, referring providers, payors, and administrators and clinicians.

The post-acute care ecosystem serves individuals who need additional help recuperating from acute conditions, illnesses, or serious medical procedures after they have been discharged from the hospital. This ecosystem ranges from higher acuity, higher-cost settings, such as long-term acute care hospitals and inpatient rehabilitation facilities, to lower acuity, lower-cost settings, such as assisted living facilities, and home health. Skilled nursing facilities (SNFs) are positioned at the center of this ecosystem and play an essential role in providing cost efficient facility-based care to patients that have been discharged from hospitals but still require 24-hour in-patient services. SNFs can provide both long-term custodial care and higher value short-term transitional care. The SNF industry is large and growing, with the Centers for Medicare & Medicaid Services (CMS) expecting total industry expenditures to increase from $193.6 billion in 2022 to $283.3 billion in 2031, representing a compound annual growth rate (CAGR) of 4.3%. Based on the number of facilities as reported by CMS, we are one of the largest SNF operators in the United States. We are primarily focused on providing higher value short-term transitional care and believe we are uniquely positioned to capitalize on the current underlying trends within the SNF industry and to capture a growing portion of the expected demand.

We believe that healthcare is local and we operate through a decentralized model, recognizing that each patient, facility, and community is unique. To that end, we believe that our local leaders and employees understand the distinct needs and priorities of their patients, staff, and facilities and are best positioned to make clinical and operational decisions in order to optimize patient outcomes and experience. To facilitate this, each of our facilities operates independently, led by a facility administrator and his or her interdisciplinary team of medical directors, nurses, therapists, specialty consultants, and operators. To assist these local teams in achieving their best clinical and operating potential, we provide each facility with access to PACS Services. PACS Services is a comprehensive suite of offerings, including accounting, finance, human resources, payroll, accounts receivable and payable, legal, and risk management services, as well as a robust suite of technology tools. We operate in a highly regulated industry with stringent regulatory compliance obligations, which requires robust regulatory compliance operations. Failure to operate in compliance with applicable laws and regulations could require significant expenditures and result in regulatory deficiencies and other regulatory penalties. PACS Services functions to support our regulatory compliance obligations across our organization, including through controlled billing and cost reporting practices and legal, risk management, and compliance support. PACS Services also provides teams of regional professionals available as resources to each facility, including a regional vice president (RVP) and regional clinical and non-clinical directors and consultants. We developed PACS Services to be a resource to help reduce administrative burden so that local leadership teams can focus on making decisions that improve the care, well-being, and quality of life of their patients.

We believe that talented local leadership is critical to the success of our model of independently operated, centrally supported facilities. At the facility level, administrators are effectively the chief executive officers, and together with other local licensed professionals, are ultimately responsible for the operations of their respective facilities. We seek to recruit, train, and reward dynamic administrators for our facilities, and rely on them to work with their interdisciplinary teams to implement policies and procedures that are appropriate and effective and result in positive outcomes. We support the delivery of excellent care by building excellent teams. We believe our model attracts high caliber, entrepreneurial professionals who value having considerable autonomy, accountability, and aligned incentives. We provide these professionals with leadership and industry training, guidance, and operational support. Our model is intended to align local leaders' incentives with facility and organizational success, encouraging them to dedicate themselves to the long-term future of their facilities. To create such alignment, we have developed an administrator compensation structure that prioritizes quality of care and operational and financial performance. Our administrators understand that a well-performing facility is the result of providing quality care in an environment of healing and caring, and one that is appropriately staffed, supplied, and equipped to meet the needs of its patients. This dedicated focus by our administrators and their local teams on patient outcomes drives demand for our services and can ultimately result in higher patient census and profitability. We also seek to provide opportunities for upward career mobility, with many of our administrators being promoted from within our company to roles of increasing levels of responsibility. Our culture of meritocracy and pride of ownership has helped us retain experienced facility administrators as well as RVPs who had average industry experience of 12.1 years, as of December 31, 2023. For the year ended December 31, 2023, we had a voluntary turnover rate of 3.1% among our facility administrators.

Excellence in clinical quality and experience for our patients is at the forefront of our mission. We believe our focus on quality is reflected in our CMS Quality Measures (QM) Star rating, occupancy rate, and skilled mix by nursing patient days (which refers to the number of days our Medicare and managed care patients receive skilled nursing services at SNFs as a percentage of the total number of days that patients from all payor sources receive skilled nursing services at SNFs for any given period). The QM Star rating is a number between 1 and 5 that is assigned to SNFs that participate in Medicare or Medicaid, and is based on an aggregate score across a range of quality reporting program requirements. As of December 31, 2023, our average QM Star rating across all our facilities was 4.1 Stars, compared to the industry average of 3.6 Stars. For the years ended December 31, 2023, 2022 and 2021, our average occupancy rate across our Mature facilities, which we define as facilities purchased more than 36 months prior to the measurement date, was 93%, 92%, and 88%, respectively, compared to the industry average of 76%, 74% and 71%. For the year ended December 31, 2023, our skilled mix by nursing patient days was 32%.

We have historically grown primarily through our disciplined and balanced acquisition strategy. We aim to create value by identifying and acquiring underperforming custodial care facilities and converting them into higher-value short-term transitional care facilities by investing in clinical teams and processes and upgrading technology, equipment, training, staffing, aesthetics, and other aspects of the business. The resources and guidance offered by PACS Services is key to rapid integration of new facilities and provides our local leadership teams with an effective technology infrastructure, support tools, and regional support teams that allow local leadership to focus on operational improvements. Our facilities generally undergo an up to three-year post-acquisition transition period. During this period, we seek to implement best practices designed to realize and sustain the facility's full potential. These practices often result in significant improvements to clinical quality and other operational metrics, including skilled mix, occupancy rates and payor contracting. We believe the results of our acquisition strategy are demonstrated by our high average QM Star rating and occupancy rate for Mature facilities of 4.2 and 93%, respectively, as of December 31, 2023. As of December 31, 2023, the average QM Star rating and occupancy rate for New facilities, which we define as facilities purchased less than 18 months prior to the measurement date, was 3.9 and 87%, respectively.

Our portfolio of owned and leased properties is strategically located in nine states: Arizona, California, Colorado, Kentucky, Missouri, Nevada, Ohio, South Carolina and Texas. We anticipate that available acquisition opportunities will enable us to further penetrate our reach into these nine states and to enter new states in the future. We believe our current markets are attractive and that the states in which we operate each has unique benefits, such as favorable reimbursement dynamics, high barriers to entry, or population growth of adults aged 65 and older, which is our primary patient demographic. We generally look for similar attributes in new markets that we enter. As of December 31, 2023, we leased 165 facilities, directly owned the real estate at 29 facilities, and owned partial interests in an additional 14 facilities through joint ventures managed by third parties. As we continue to grow, we intend to explore additional purchases of real-estate assets, through purchase options or right-of-first refusals in existing leases, as well as acquisitions and de novo construction of purpose-built facilities.

For the year ended December 31, 2023, we generated total revenue of $3.1 billion, representing a CAGR of 63.3% over the last three years. A substantial portion of our revenue is generated from payments from third-party payors, including Medicare and Medicaid, which represent our largest sources of revenue and accounted for 38.6% and 37.6% of our routine revenue for the year ended December 31, 2023, respectively. For the year ended December 31, 2022, we generated revenue of $2.4 billion, and Medicare and Medicaid accounted for 47.6% and 30.2% of our total revenue, respectively. For the year ended December 31, 2023, we generated total net income of $112.9 million, total operating expense of $2.9 billion and Adjusted EBITDA of $237.5 million, representing a CAGR of 53.4%, 63.7%, and 51.1%, respectively, over the last three years. For the year ended December 31, 2022, our total operating expenses were $2.2 billion, and we generated net income of $150.5 million and Adjusted EBITDA of $255.5 million. As of December 31, 2023, we had total long-term liabilities of $3.0 billion. Adjusted EBITDA is a non-GAAP financial measure. For a reconciliation of Adjusted EBITDA to the most directly comparable GAAP financial measure, see the section titled "Management's Discussion and Analysis of Financial Conditions and Results of Operations—Key Skilled Services Metrics and Non-GAAP Financial Measures—Non-GAAP Financial Measures."

Our Value Proposition

We believe that our operating model creates meaningful value for patients and their families, our referring providers, our payors, and our administrators and clinicians.

Value Proposition for Patients and Families

- ***Coordinated care.*** We empower team members at every level through skillful training, shared resources, and a collaborative spirit. We help deliver coordinated care before, during, and after a patient's stay with us. Prior to admission, our administrators or other facility leaders meet with patients and their families, as well as hospital discharge planners, to plan for the patient's discharge and enable a seamless transition to our facility. During a stay with us, our local facility team coordinates closely with physicians to deliver high-touch, high-quality care for patients. As care nears completion, we meet with our patients, their families, home health agencies and downstream care providers to plan for and ensure a smooth transition.

- ***Outstanding patient experience.*** Our goal is to provide each patient with superior care and an outstanding experience. When patients arrive at our facilities they are greeted by a warm, inviting, and modern environment. We often upgrade facility infrastructure shortly after acquisition and perform periodic refreshes, to ensure our facilities are comfortable and well-equipped to serve patients across a wide range of acuities with a primary focus on high acuity patients. High acuity patients generally require higher levels of medical care or monitoring due to conditions or complications that cannot be easily managed, and often need more nursing resources and attention to maintain their quality of life. We believe our investment in modern equipment and technology allows our facility care teams to identify and respond to patient needs and provide them high quality care in a timely manner. Moreover, our clinicians are highly trained, have significant experience, and are able to leverage bespoke care plans to help ensure that patients receive care tailored to their particular needs.

Value Proposition for Referring Providers

- ***Strategic and seamless transitions.*** Our administrators and their interdisciplinary teams seek to become a preferred partner by developing a deep understanding of local referring providers' and their patients' needs. Administrators often visit with patients and their families prior to discharge to plan for and map out a smooth admission to our facility. Once a plan is set, the facility team endeavors to quickly and seamlessly transition new patients to the facility with a focus on ensuring continuity of care in the transition. We believe that hospitals and other referral sources consider our facilities to be attractive discharge options because we are able to care for a wide variety of patient needs, and are often able to accept admissions on short notice, including on nights and weekends. Our flexibility helps hospitals maintain adequate bed availability to meet their other patients' needs.

- ***Trusted partner with quality care.*** Our ability to care for higher acuity patients allows referring providers to have confidence that we will be able to adequately care for their patients and assist them in their recovery. Our facilities seek to work with patients' doctors to create personalized care plans to help ensure that patients stay on track in their recovery and to reduce the likelihood of their readmission to the hospital. Our facility teams also seek to coordinate closely with a patient's home health agency or other post-SNF caregivers to try to ensure the patient's transition home or to their next care setting is successful. This close coordination allows us, where warranted, to directly readmit patients back to our facility who would have otherwise been readmitted to an acute care hospital in the event they have a change of condition after leaving our facility.

Value Proposition for Payors

- ***Higher value site of care.*** We believe we provide high acuity care in a cost-effective setting and are able to quickly transition patients from the acute care setting, reducing length of stay and delivering more overall value for payors. Moreover, we believe we provide payors with a high-quality alternative to higher cost post-acute sites of care. For example, according to MedPAC, SNFs are the lowest cost facility-based post-acute healthcare, costing an average of $550 per covered day compared to $1,850 and $1,753 per covered day for inpatient rehabilitation facilities and long-term acute care hospitals, respectively.

- ***Robust culture of compliance.*** We focus on instilling a unified, cohesive culture of innovation and compliance that we believe provides consistency in our results and confidence in our facilities as an attractive care option for patients. Our rigorous approach to billing integrity, our independent internal compliance function, and our regular facility billing audits are intended to provide a foundation of trust and collaboration that makes us a natural choice for payors.

Value Proposition for Administrators and Clinicians

- ***Autonomy and aligned compensation.*** Each facility administrator is, in effect, the local "CEO" and dedicated leader of their facility. Alongside their local interdisciplinary team, they are empowered to make real-time decisions locally around all aspects of their business and to manage their individual facility in a way that they believe is best suited to address their local market and its needs. We have designed a transparent incentive model for our administrators that is intended to align their compensation with the quality of care and operational and financial performance of their facility. We provide them the tools and the autonomy to optimize the performance of their facility, and we reward them for success in their efforts. We believe that a well-performing facility is the result of providing quality care in an environment of healing and caring and one that is appropriately staffed, supplied, and equipped to meet the needs of its patients. This dedicated focus by our administrators and their local teams on patient outcomes drives demand for our services and can ultimately result in higher patient census and profitability.

- ***Robust technology enabled operating infrastructure.*** We developed PACS Services to reduce the managerial and operational burden on our administrators, allowing them to focus on leading their facilities and spending more time with patients and staff. PACS Services includes a robust suite of technology tools that provide detailed real-time data and trends that local clinicians and leadership teams can use to monitor and improve operational performance. PACS Services also includes regional support teams that leverage their deep tenure and experience across markets to provide higher-level support to local leaders on complex issues, including billing and cost reporting practices and regulatory compliance obligations. The regional teams are connected to and support the facilities within their designated region, which enables them to identify best practices and trends within the region, communicate those across their region, and provide facility-level support as needed.

- ***Highly entrepreneurial career development.*** By providing our administrators with autonomy in the operation of their facility, we believe we create a highly entrepreneurial environment that encourages and rewards leaders to optimize operational performance. We empower our clinicians to do the same and provide top performers the opportunity to progress via training for higher skill licenses and certifications. People are provided the opportunity to advance to become an administrator through our Administrator-in-Training program, and to join a regional leadership team. For example, in the year ended December 31, 2023, we promoted 26 of our administrators from within our organization after participating in our Administrator-in-Training program, and 12 of our RVPs were previously successful administrators with us.

Our Competitive Strengths

We believe our success is driven by the following competitive strengths:

Superior Overall Quality

Excellence in clinical quality and experience for our patients is at the forefront of our mission and is reflected in our above-industry average QM Star rating and occupancy rate. Our facilities employ skilled administrators and clinicians and equip them with purpose-built technology and support so they can operate at the top of their professional capacity and deliver high-quality care for patients. We continuously invest in our people, processes, and facilities to promote an excellent patient experience. We believe we deliver superior overall quality that has contributed to our reputation as a provider-of-choice in our communities, driving greater referral volumes from referring providers who value our high standards.

Decentralized Market-Driven Operating Model

Our decentralized model emphasizes local operational autonomy. We believe that placing decision-making power at the local level with teams who understand the needs of their patients and their communities facilitates responsiveness and adaptability to evolving patient needs and facility and community factors. We believe the empowerment of local leadership promotes improved quality care for patients, greater referral volumes and higher occupancy rates. Our operating model is highly transferable to new markets, and enable us to quickly integrate and enhance new facilities.

Transparent and Meritocratic Leadership Culture

We have built a transparent, competitive, and collegial culture that promotes individual growth both personally and professionally and prioritizes a deep commitment to our patients, families, and team members. We promote transparency in performance, which we believe encourages collaboration and healthy competition among local leadership that in turn drives best practices. We believe this meritocratic culture, supported by highly seasoned industry veterans, helps optimize clinical and financial outcomes at facilities and instills accountability throughout the organization. This leadership mindset has empowered us to develop a deep bench of leaders capable of supporting our existing and future facilities.

Employer-of-Choice with Directly Aligned Incentive Model

We believe that we are an employer-of-choice in the post-acute care industry, which enables us to attract and retain highly motivated, entrepreneurial individuals who value operational independence and financial opportunity.

This has allowed us to attract enterprising individuals from diverse backgrounds who may not have otherwise considered careers in skilled nursing. Our unique compensation model is designed to align local individual incentives with the long-term clinical quality and operational performance of the facility, which we believe fosters a shared ownership mentality. We believe this directly aligned incentive model has played a critical role in successfully attracting, incentivizing, and retaining our industry veterans.

Robust Suite of Technology-Enabled Services

Our technology focus delivers real-time data access to caregivers and administrators, facilitating delivery of the right care at the right time. Our technology tools enable our local leadership teams to focus on their first priority, providing the highest quality care possible to patients. We believe our suite of technologies helps drive decision-making and enhances operating efficiencies that can improve clinical quality, operational metrics, and the financial performance of our facilities. While other facility administrators may spend considerable time on paperwork and low-value activities, we strive to reduce the administrative burden on our facility administrators so they can walk the halls, personally meet patients, and provide a bespoke, concierge-level customer service experience. We equip our clinicians with industry-leading technology, including point-of-care and digital charting technologies, which streamlines charting and paperwork, so they can spend more time with patients and focus on providing high quality care. We believe our technology and internally developed dashboards help to facilitate better patient care, risk management, regulatory compliance, staffing, and resource allocation. We have designed our technology to be easily integrated into new facilities and allow us to scale quickly and efficiently.

Differentiated, Multi-faceted, and Disciplined Acquisition Playbook

Over the past 9 years, we have demonstrated the effectiveness of our disciplined, multi-faceted playbook of acquiring and improving underperforming facilities, having successfully acquired and integrated over 195 facilities to date. We believe we have established a reputation as an acquiror-of-choice, which has led to several inbound opportunities, and has helped us build an extensive opportunity pipeline. Our balanced approach to evaluation allows us to selectively pursue opportunities that meet our strategic priorities and criteria and grow in a responsible manner. Through our investment into facilities and our integration process, we are able to transition new underperforming facilities to higher-value short-term transitional care facilities. We believe our success is evidenced by our robust QM Star ratings, occupancy rates, and profitability at our Mature facilities.

Our High-Quality Facilities

We are committed to providing a high-quality experience for all of our patients, which is why we invest in capital improvements and ongoing maintenance to all of our facilities, regardless of whether we lease or own. Our investment into facilities is differentiated from traditional industry operators who we believe are often hesitant to make physical plant investments into facilities and who often seek to extract value through cost-cutting or other limitations on facility resources. Our renovations are intended to improve the look and feel of facilities in order to provide an excellent experience. Our investments into medical beds, vitals monitors, physical therapy equipment, and other improvements allows us to provide services to higher acuity patients. We believe our high-quality facilities lead to sustained referral volumes, more admissions, and high skilled mix at our facilities, ultimately leading to higher occupancy rates and revenue per patient day. We also believe our investment into leased facilities makes us a preferred tenant with our landlords and provides us leverage in negotiating favorable lease terms.

Our Size and Scale

We believe our market density in key regions offers strategic advantages, such as brand recognition with referring providers, including hospitals and health systems, and consistency and continuity of referrals of patients. For example, our ability to accommodate a high volume of patients within our markets allows us to accept referrals without turning patients away to competitors, and can also further our reputation as a reliable, go-to provider of care for referring providers. We also believe our size and scale has provided us with the ability to negotiate favorable contracts with managed care and other payor sources, the ability to navigate stringent regulatory compliance obligations and withstand potential reimbursement and regulatory industry dynamics, and the ability to leverage real estate value for liquidity and growth.

Industry Overview and Market Opportunity

The Post-Acute Care Continuum is Essential to the Healthcare Ecosystem

We operate in the post-acute care industry, which is an essential component of the healthcare delivery ecosystem, serving high need, medically fragile patients. Post-acute care encompasses multiple care settings outside of acute care hospitals that are differentiated by the acuity level of patients and the services they require. While services may overlap across each distinct post-acute offering, post-acute rehab or SNFs provide the most comprehensive array of services. Upstream care providers, such as acute care hospitals, generally discharge patients to post-acute facilities where patients can receive key services at lower costs.

SNFs are an Integral and Essential Part of the Post-Acute Care Continuum

SNFs play an essential role in post-acute patient care. SNFs provide higher-acuity skilled nursing care to patients that cannot be adequately treated in community-based care settings, such as assisted living or independent living facilities, and who are no longer appropriate candidates for hospital care. Patients referred to a SNF are typically recovering from surgery or non-critical conditions, such as strokes, joint replacements, and acute infections, and are admitted to a SNF within 30 days of being discharged from a hospital where they spent at least three days as an inpatient. In many instances, patients are treated at SNFs prior to receiving home health nursing care and therapy services. The majority of SNF patients are aged 65 years or older. Despite the wide array of services and variety of needs addressed, MedPAC reports that SNFs are the lowest cost facility-based post-acute healthcare, costing on average $550 per covered day compared to $1,850 and $1,753 per covered day for inpatient rehabilitation facilities and long-term acute care hospitals, respectively. According to CMS MedPAC data, SNFs accounted for approximately 44% of the total post-acute care continuum spend. According to CMS Inpatient Hospital discharge data, in 2022, approximately 22% of Medicare patients over 65 years old were discharged to SNFs, representing more than any other facility type, including inpatient rehabilitation facilities and long-term acute care hospitals (approximately 6%), and more than home health nursing care (21%) or hospice (5%). As reimbursement and coverage continues to shift toward value-based models with greater emphasis on controlling costs, SNFs are integral to post-acute care and will continue to drive high-quality outcomes in low-cost settings. Furthermore, during the COVID-19 pandemic, SNFs were widely utilized to treat medically fragile patients, reinforcing the importance of SNFs to the healthcare ecosystem.

Large, Fragmented Industry Comprised of Mostly Small and Independent Operators

According to the National Center for Health Statistics (NCHS) 2020 National Post-acute and Long-term Care Study, the SNF industry in the United States encompasses approximately 15,000 facilities and serves approximately 1.3 million patients annually. The industry is highly fragmented, with the top 10 operators, each having greater than 100 facilities, representing approximately 11% of total number of SNFs in the United States, according to CMS data as of September 2022, approximately 5,000 smaller and independent operators of less than 100 facilities making up the remainder. According to this data, of the approximately 15,000 facilities, approximately 13,200 facilities have less than 100 beds, and approximately 74% and 26% of SNFs are located in urban and rural areas, respectively. In addition, approximately 72%, 23%, and 6% of SNFs are operated as for-profit, as non-profit, and by the government, respectively, according to such data. We believe this fragmented landscape creates opportunities for larger providers with greater scale to serve patients better and meet regulatory requirements nation-wide by effectively addressing staffing, quality standards, and billing processes. Moreover, many small and independent operators face pressure due to billing requirements, regulations, competition on quality of care and facilities, staffing shortages and competition, and the cessation of COVID-related provider relief funding, which has led them to pursue sales of their facilities or businesses. This provides additional opportunity for well-managed, high-quality operators to grow through acquisitions.

Growing Demand Outpacing Supply of Skilled Nursing Facilities

The demand for healthcare services in the United States has increased in recent years and is expected to continue growing, largely due to a rapidly aging population and an increasing prevalence of chronic conditions. According to the U.S. Census Bureau, the U.S. population aged 65 and older is expected to nearly double from 2020 to 2060 and reach 95 million in 2060, which exceeds the expected increase in the general population during that same period, and comprise one fifth of the total U.S. population in 2030. Moreover, according to the U.S. Census Bureau, the U.S. population aged 85 and older is expected to nearly triple from 2020 to 2060 and reach 19 million in 2060. Additionally, according to an article published in *Frontiers in Public Health* in 2022, the percentage of people in the United States aged 50 and older with at least one chronic condition is estimated to increase by 99.5% from 2020 to 2050. According to CMS data as of September 2022, approximately 82% of SNF patients were 65 years of age or older.

As demand has increased for SNFs, the number of SNFs has declined in recent years from approximately 15,650 in 2017 to approximately 14,900 in 2023. We believe this is due to a variety of factors, including an inability of many facilities to comply with the industry's stringent regulatory compliance obligations and with quality standards, rigorous staffing, and billing requirements, as well as a lack of technology and sophistication at small and independent operators. Furthermore, new operators to this highly regulated industry face multiple barriers to entry, including the requirements to obtain a Certificate of Need, complex licensure and regulatory compliance requirements, lack of operating experience, and significant capital requirements. As a result, the addition of new SNFs has not kept pace with the number of SNFs exiting the market, amplifying the need for skilled nursing to serve an aging population.

Favorable Reimbursement Environment

According to CMS, approximately 72% of SNF revenue in 2022 was derived from government sources, including Medicaid and Medicare. Medicaid represents 51% of industry revenue, while Medicare represents approximately 21%. The remainder comprises managed care, private pay, and other payors. Medicare and Medicaid reimbursement has steadily increased over the past few years. Medicare reimbursement per patient day increased at a CAGR of approximately 3.6% from 2012 to 2021, while Medicaid reimbursement per patient day increased at a CAGR of approximately 1.9% from 2012 to 2021. The industry has experienced over 9 years of growth in reimbursement rates.

Regulatory Environment

The SNF industry is highly regulated with stringent regulatory compliance obligations. In the ordinary course of business, providers are subject to federal, state and local laws and regulations relating to, among other things, billing and reimbursement, relationships with vendors, business relationships with physicians and other healthcare providers and facilities, as well as licensure, accreditation, enrollment, quality, adequacy of care, physical plant, life safety, personnel, staffing and operating requirements. Changes in or new interpretations of existing laws and regulations may have a significant impact on revenue, costs and business operations of providers and other industry participants. In addition, governmental and other authorities periodically inspect the SNFs, senior living facilities and outpatient rehabilitation agencies to verify continued compliance with applicable regulations and standards, and may impose citations and other regulatory penalties for regulatory deficiencies. Such regulatory penalties include but are not limited to civil monetary penalties, temporary payment bans, suspension or revocation of a state operating license and loss of certification as a provider in the Medicare or Medicaid program, any of which may be temporary or permanent in nature. This regulatory environment and related enforcement can have an adverse effect on providers and other industry participants.

Our Market Opportunity

Despite the decline in the number of SNFs, the industry is large and growing, with CMS expecting total industry expenditures to increase from $193.6 billion in 2022 to $283.3 billion in 2031, representing CAGR of 4.3%. Based on the number of facilities as reported by CMS, we are one of the largest SNF operators in the United States and believe our scale and other competitive strengths uniquely position us to capitalize on the current underlying trends within the SNF industry and capture a growing portion of this expected growth.

Our Growth Strategies

We have built a multi-faceted growth strategy with multiple organic and inorganic levers to help drive our growth and capitalize on the favorable industry dynamics. To continue our growth, we intend to:

- ***Expand our presence in existing and new markets.*** We have a robust pipeline of potential single-facility tuck-in acquisitions, larger multi-facility portfolio acquisitions and select new facility builds across existing and new markets. We have historically completed an average of approximately 20 acquisitions and one de-novo, or new-build, facility per year, but have the flexibility to increase or decrease this cadence from period to period in line with our business priorities and as strategic opportunities arise. We plan to continue to strategically pursue opportunities within our pipeline to supplement our organic growth. While we expect to continue to execute on this strategy, we do not have binding agreements or commitments for any material investments at this time.

- ***Leverage operational upside within our existing footprint.*** Our portfolio has a healthy foundation for strong embedded organic growth. We are focused on driving higher occupancy and increasing skilled mix in an effort to fill unused capacity with higher acuity patients, which can improve our revenue per patient day and our profitability, which in turn drive growth. Historically, we have found that it takes up to 3 years for a New facility to scale to performance similar to that of a Mature facility. As of December 31, 2023, we had 66 New facilities and 77 Ramping facilities, which we define as facilities purchased within 18 to 36 months prior to the measurement date. We believe these facilities provide us some degree of near-term visibility into expected organic growth within our footprint.

- ***Continue to grow our pipeline of leaders.*** Our rapid growth in size and scale can be attributed to our deep bench of talented leaders. Our administrators in training provide us with leadership resources that we can use to quickly staff new facilities with qualified operators. Similarly, our RVPs enable us to scale within regions. We intend to invest heavily in training existing leaders and expanding our bench of new administrators and RVPs to support our future growth.

- ***Extract embedded value from real estate ownership.*** We plan to continue to evaluate our real estate purchase options in an effort to reduce our rent burden and grow the underlying earnings of our business. We have executed 17 purchase options since 2013 and had 11 additional options available to us as of December 31, 2023. We intend to continue to selectively exercise purchase options and continue structuring additional purchase options to provide an additional lever to grow net margins and enhance stockholder value. Moreover, we believe that our real estate ownership provides balance sheet support as an inflationary hedge, provides capital flexibility as a source of asset collateral, reduces the burden of leases and restrictive agreements, and allows us the opportunity to create additional value in improving distressed assets.

- ***Ancillary opportunities.*** We have identified and continue to evaluate multiple investment opportunities that have the potential to improve our post-acute patient experience by augmenting the services we provide. We may capitalize on these investment opportunities that are ancillary to our core business, such as pharmacy services, laboratory services, transportation, and imaging, which have the potential to be additional sources of revenue and operating income over time. We refer to these efforts to build a strategic mix of investments in ancillary business lines as "PACS Ventures." We continue to evaluate opportunities to in-source, acquire, and commercialize these ancillary opportunities. Additionally, we may choose to monetize our PACS Services by offering it to third-party SNF operators in the future.

- ***Expand into other post-acute sites of care.*** We believe that our proven operational playbook and focus on delivering high-quality care have the potential to be utilized in additional post-acute sites of care, including home health and hospice as well as within broader senior living communities. As of December 31, 2023, we had one independent living facility and four assisted living facilities which provide a foundation for further expansion.

Summary Risk Factors

There are a number of risks that you should understand before making an investment decision regarding this offering. You should carefully consider all of the information in this prospectus, including risks and uncertainties described in the sections titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors,” before making a decision to invest in our common stock. If any of these risks actually occur, it could have a material adverse effect on our business, financial condition, and results of operations. In such case, the trading price of our common stock would likely decline, and you could lose all or part of your investment. These risks include, but are not limited to:

- We depend upon reimbursement from third-party payors, and our revenue, financial condition and results of operations could be negatively impacted by any changes in the acuity mix of patients in our facilities as well as changes in payor mix and payment methodologies and new cost containment initiatives by third-party payors;

- We may not be fully reimbursed for all services for which each facility bills through consolidated billing or bundled payments, which could have an adverse effect on our revenue, financial condition and results of operations.

- Increased competition for, or a shortage of, nurses, nurse assistants and other skilled personnel could increase our staffing and labor costs and subject us to monetary fines.

- We rely on payments from third-party payors, including Medicare, Medicaid and other governmental healthcare programs and private insurance organizations. If coverage or reimbursement for services are changed, reduced or eliminated, including through cost-containment efforts, spending requirements are changed, data reporting, measurement and evaluation standards are enhanced and changed, our operations, revenue and profitability could be materially and adversely affected.

- Reforms to the U.S. healthcare system, including new regulations under the Affordable Care Act (ACA), continue to impose new requirements upon us that could materially impact our business.

- We are subject to various government and third-party payor reviews, audits and investigations that could adversely affect our business, including an obligation to refund amounts previously paid to us, potential criminal charges, the imposition of fines, and/or the loss of our right to participate in Medicare and Medicaid programs or other third-party payor programs.

- State efforts to regulate or deregulate the healthcare services industry or the construction expansion, or acquisition of healthcare facilities could impair our ability to expand our operations, or could result in increased competition.

- We face numerous risks related to expiration of the COVID-19 public health emergency (PHE) expiration and surrounding wind down and uncertainty, which could, individually or in the aggregate, have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects.

- If we fail to attract patients and residents and to compete effectively with other healthcare providers, our revenue and profitability may decline and we may incur losses.

- We review and audit the care delivery, recordkeeping and billing processes of our operating subsidiaries. These reviews from time to time detect instances of noncompliance that we attempt to correct, which in some instances requires reduced or repayment of billed amounts or other costs.

- We are subject to litigation, which is commonplace in our industry, which could result in significant legal costs and large settlement amounts or damage awards, and our self-insurance programs may expose us to significant and unexpected costs and losses.

- We rely significantly on information technology, and any failure, inadequacy or interruption of that technology could harm our ability to effectively operate our business.

- We may be unable to complete future facility or business acquisitions at attractive prices or at all, which may adversely affect our revenue; we may also elect to dispose of underperforming or non-strategic operating subsidiaries, which would decrease our revenue.

- In undertaking acquisitions, we may be adversely impacted by costs, liabilities and regulatory issues that may adversely affect our operations, and we may not be able to successfully integrate acquired facilities and properties into our operations, or achieve the benefits we expect from any of our facility acquisitions.

- Because we lease the majority of our facilities, we are subject to risks associated with leased real property, including risks relating to lease termination, lease extensions and special charges, any of which could have an adverse effect on our business, financial condition and results of operations.

- We operate in a highly regulated industry with stringent regulatory compliance obligations, and are subject to extensive and complex laws and government regulations. If we are not operating in compliance with these laws and regulations or if these laws and regulations change, we could be required to make significant expenditures or change our operations in order to bring our facilities and operations into compliance.

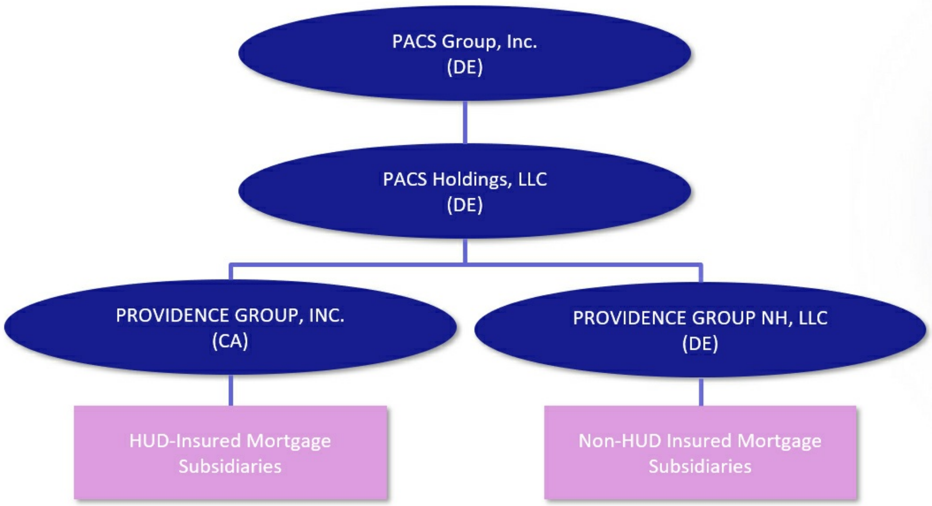
- Following this offering, our founders will collectively own a significant majority of our common stock, representing approximately 87.1% of the voting power of our common stock (or approximately 85.2% if the underwriters exercise their option to purchase additional shares of our common stock from the selling stockholders in full). In addition, following this offering, pursuant to the terms of our Amended and Restated Charter and our Stockholders Agreement, our founders will be able to control or significantly influence corporate matters for the foreseeable future. For example, immediately following this offering, our founders will collectively have the right to designate four directors, which represents the entirety of our current four member board of directors. In addition, for so long as our founders beneficially own, in the aggregate, the majority of the voting power of our outstanding shares of voting stock, our founders will be able to remove any of our directors at any time with or without cause and may take action by written consent without a meeting of stockholders. This concentrated control, due to both the provisions of the Amended and Restated Charter and Stockholders Agreement and the voting power of our common stock, will limit or preclude your ability to influence corporate matters for the foreseeable future, including with respect to the composition of our board of directors and election of directors, the authorization and issuance of additional shares of our common stock that may be dilutive to you, amendments to our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval.

- We will be a “controlled company” under the corporate governance rules of the New York Stock Exchange and intend to rely on exemptions from certain corporate governance requirements, including the requirements that within one year of the completion of this offering we have a board that is composed of majority of independent directors and have a nominating and corporate governance committee that is composed entirely of independent directors. As a result, you will not have the same protections afforded to stockholders of companies that are subject to such requirements.

- Affiliates of Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Truist Securities, Inc., RBC Capital Markets, LLC, Regions Securities LLC and KeyBanc Capital Markets Inc., each an underwriter in this offering, will each receive at least 5% of the net proceeds of this offering and may have an interest in this offering beyond customary underwriting discounts and commissions.

Corporate Information

We were initially incorporated on December 17, 2012 as Providence Group, Inc., a California corporation. On June 30, 2023, we undertook a reorganization in connection with our entry into a new credit agreement described in more detail in the section titled "Management's Discussion and Analysis of Financial Conditions and Results of Operations—Liquidity & Capital Resources—Credit Facilities." Pursuant to this reorganization, PACS Group, Inc., which was incorporated on March 24, 2023 as a Delaware corporation, became the parent entity for our organization. The following diagram sets forth a simplified view of our corporate structure as of December 31, 2023. This chart is for illustrative purposes only and does not represent all legal entities affiliated with the entities depicted. The operating subsidiaries that represent our various facilities are omitted.



PACS Group, Inc. is a holding company with operating subsidiaries that provide skilled nursing, senior living, as well as other ancillary businesses. Each facility is structured as an operating subsidiary under one of our two subsidiary holding companies: Providence Group, Inc. and Providence Group NH, LLC. Subsidiaries of Providence Group, Inc. are currently operating subsidiaries (facilities) with mortgage loans insured by the U.S. Department of Housing and Urban Affairs. Subsidiaries of Providence Group NH, LLC are currently operating subsidiaries (facilities) without such mortgage loans.

PACS Group, Inc. and its subsidiaries that are not licensed healthcare providers do not provide healthcare services to patients, residents or any other person, and do not direct or control the provision of services provided. All healthcare services are provided solely by applicable subsidiaries that are licensed healthcare providers, under the direction and control of licensed healthcare professionals in accordance with applicable law.

Our principal executive offices are located at 262 N. University Ave, Farmington, Utah 84025, and our telephone number is (801) 447-9829. Our website address is *www.pacs.com*. Information contained on, or that can be accessed through, our website is deemed not to be incorporated in this prospectus and does not constitute part of this prospectus, and the inclusion of our website address in this prospectus is an inactive textual reference only. Investors should not rely on any such information in deciding whether to purchase our common stock.

New Stockholders Agreement

In connection with this offering, we intend to enter into a new stockholders agreement (Stockholders Agreement) with Jason Murray and Mark Hancock. Pursuant to the terms of our Amended and Restated Charter to be filed in connection with this offering and the Stockholders Agreement, we will agree to include in our slate of director nominees certain individuals designated by each of Messrs. Murray and Hancock:

- Mr. Murray will have the right, but not the obligation, to designate (i) up to two individuals for inclusion in our slate of director nominees if he beneficially owns at least 20% of the aggregate number of shares of common stock outstanding immediately following this offering or (ii) one individual for inclusion in our slate of director nominees if he beneficially owns less than 20% but at least 10% of the aggregate number of shares of common stock outstanding immediately following this offering.

- Mr. Hancock will have the right, but not the obligation, to designate (i) up to two individuals for inclusion in our slate of director nominees if he beneficially owns at least 20% of the aggregate number of shares of common stock outstanding immediately following this offering or (ii) one individual for inclusion in our slate of director nominees if he beneficially owns less than 20% but at least 10% of the aggregate number of shares of common stock outstanding immediately following this offering.

Following this offering, our founders will collectively own a significant majority of our common stock, representing approximately 87.1% of the voting power of our common stock (or approximately 85.2% if the underwriters exercise their option to purchase additional shares of our common stock from the selling stockholders in full). Accordingly, immediately following this offering, Messrs. Murray and Hancock will each have the right to designate two directors for nomination to our board of directors, and will collectively have the right to designate four directors, which represents the entirety of our current four member board of directors.

Pursuant to the Stockholders Agreement, each of Messrs. Murray and Hancock will also agree to vote, or cause to vote, all of their outstanding shares of our common stock at any annual or special meeting of stockholders in which directors are elected, so as to cause the election of their respective designees, in each case, to the extent that each or any of Messrs. Murray and Hancock have exercised their right to designate individuals for nomination to the board of directors.

For additional information regarding the Stockholders Agreement, please see the section titled "Certain Relationships and Related Party Transactions—Stockholders Agreement." In addition, see the sections titled "Management—Amended and Restated Charter and Stockholders Agreement," "Risk Factors—Our founders, Jason Murray and Mark Hancock, will continue to have substantial control over us and will hold a substantial portion of our outstanding common stock following this offering, and their interests may conflict, or appear to conflict, with our interests and the interests of other stockholders" and "Risk Factors—Delaware law and provisions in our Amended and Restated Charter and Amended and Restated Bylaws that will be in effect on the completion of this offering grant our founders certain rights with respect to the control of our business and could make a merger, tender offer or proxy contest difficult, thereby depressing the trading price of our common stock" for additional information.

Status as a Controlled Company

The rules of the New York Stock Exchange define a "controlled company" as a company of which more than 50% of the voting power for the election of directors is held by an individual, a group or another company. Following this offering, our founders will collectively own a significant majority of our common stock, representing approximately 87.1% of the voting power of our common stock (or approximately 85.2% if the underwriters exercise their option to purchase additional shares of our common stock from the selling stockholders in full). As such, we will be a "controlled company" under the rules of the New York Stock Exchange. As a result, we will qualify for exemptions from, and will elect not to comply with, certain corporate governance requirements under the rules, including the requirements that within one year of the completion of this offering we have a board that is composed of majority of "independent directors," as defined under the rules, and a nominating and corporate governance committee that is composed entirely of independent directors.

Even though we will be a controlled company, we are required to comply with the rules of the SEC and the New York Stock Exchange relating to the membership, qualifications and operations of the audit committee, which require us to have an audit committee that is composed entirely of independent directors. Under these rules, we must have at least one independent director on our audit committee upon the listing of our common stock, have a majority of independent directors on our audit committee within 90 days of the listing date and at least three directors, all of whom must be independent, on our audit committee within one year of the listing date. We expect to have two independent directors upon the listing of our common stock on the New York Stock Exchange who will qualify as independent for audit committee purposes. Mr. Hancock, who is not an independent director for audit committee purposes, will serve on the audit committee until an independent director is appointed. We will have one year from the listing date to comply with these audit committee independence requirements.

If we cease to be a controlled company and our common stock continues to be listed on the New York Stock Exchange, we will be required to take all action necessary to comply with applicable rules, including by having a majority of independent directors and ensuring we have a compensation committee and a nominating and corporate governance committee, each composed entirely of independent directors, subject to specified transition periods applicable to certain requirements, as the case may be. See the sections titled "Management—Director Independence and Controlled Company Exception" and "Risk Factors—Upon the listing of our common stock on the New York Stock Exchange, we will be a "controlled company" within the meaning of the corporate governance standards of the New York Stock Exchange. We intend to rely on exemptions from certain corporate governance standards. You will not have the same protections afforded to stockholders of companies that are subject to such requirements."

THE OFFERING

Common stock offered by us	19,050,000 shares.
Underwriters' option to purchase additional shares of common stock from the selling stockholders	The selling stockholders have granted the underwriters an option for a period of 30 days from the date of this prospectus to purchase up to 2,857,500 additional shares of our common stock.
Common stock to be outstanding after this offering	147,773,386 shares.
Use of proceeds	We estimate that we will receive net proceeds from this offering of approximately \$370.3 million, based upon an assumed initial public offering price of \$21.00 per share (which is the midpoint of the price range set forth on the cover page of this prospectus) and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use approximately \$330.0 million of the net proceeds from this offering to repay amounts outstanding under our Amended and Restated 2023 Credit Facility, and the remaining amount for general corporate purposes to support the growth of our business. Additionally, we may use a portion of the net proceeds to acquire or invest in additional nursing facilities or other businesses and service offerings, although we do not have binding agreements or commitments for any material investments for which we would use the net proceeds of this offering at this time. We will have broad discretion in the way that we use the net proceeds of this offering. We will not receive any proceeds from the sale of shares of common stock by the selling stockholders. See the section titled "Use of Proceeds" for additional information.
Controlled company	Following this offering, we will be a "controlled company" within the meaning of the corporate governance rules of the New York Stock Exchange. As a "controlled company," we intend to rely on the exemptions from certain corporate governance standards of the New York Stock Exchange. See the section titled "Management—Director Independence and Controlled Company Exception."

Conflicts of interest	Because affiliates of Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Truist Securities, Inc., RBC Capital Markets, LLC, Regions Securities LLC and KeyBanc Capital Markets Inc. are lenders under our Amended and Restated 2023 Credit Facility and will each receive at least 5% of the net proceeds from this offering in connection with the repayment of amounts outstanding under our Amended and Restated 2023 Credit Facility, a "conflict of interest" within the meaning of Rule 5121 of the Financial Industry Regulatory Authority, Inc. (FINRA) is deemed to exist. Accordingly, this offering is being made in compliance with the applicable requirements of FINRA Rule 5121. This rule requires, among other things, that a "qualified independent underwriter" participate in the preparation of, and exercise the usual standards of "due diligence" with respect to, the registration statement and this prospectus. Stephens Inc. has agreed to act as qualified independent underwriter for this offering and to undertake the legal responsibilities and liabilities of an underwriter under the Securities Act of 1933, as amended (Securities Act). Stephens Inc. will not receive any additional fees for serving as qualified independent underwriter in connection with this offering. We have agreed to indemnify Stephens Inc. against liabilities incurred in connection with acting as qualified independent underwriter, including liabilities under the Securities Act. Pursuant to FINRA Rule 5121, no underwriter having a conflict of interest under FINRA Rule 5121 will confirm sales of our common stock to any account over which it exercises discretionary authority without the specific prior written approval of the of the accountholder. See the sections titled "Use of Proceeds" and "Underwriting (Conflicts of Interest)" for additional information.
Dividend policy	We have no current plans to pay dividends or other distributions on our common stock in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the sole discretion of our board of directors and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions and other factors that our board of directors may deem relevant. See the section titled "Dividend Policy."
Risk factors	Investing in our common stock involves a high degree of risk. See the section titled "Risk Factors" and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.
Proposed New York Stock Exchange trading symbol	We have applied to list shares of our common stock on the New York Stock Exchange under the symbol "PACS."

The number of shares of our common stock to be outstanding after this offering is based on 128,723,386 shares of our common stock outstanding as of December 31, 2023, and excludes:

- the number of shares of our common stock reserved for future issuance under our 2024 Incentive Award Plan (2024 Plan), which will become effective prior to the completion of this offering, equal to 10.25% of the number of shares of our common stock outstanding as of immediately following the completion of this offering (disregarding the shares issuable under the 2024 Plan), which is currently expected to be 15,146,772 shares of common stock. All such shares will be issuable upon the settlement of restricted stock units that will be granted to certain of our executive officers and other employees prior to the completion of this offering, 25% of which will immediately vest and settle upon grant. The vested restricted stock units will net settle, which we expect will result in the net issuance of 2,385,617 shares of our common stock, after withholding 1,401,076 shares of common stock to satisfy associated estimated income tax obligations (based on an assumed 37% tax withholding rate), as described under “Compensation Discussion and Analysis—Equity Compensation;” and

- the number of shares of our common stock reserved for future issuance under our 2024 Employee Stock Purchase Plan (ESPP), which will become effective prior to the completion of this offering, equal to 1% of the number of shares of our common stock outstanding as of immediately following the completion of this offering (disregarding the shares issuable under the 2024 Plan), which is currently expected to be 1,477,734 shares of common stock.

Our 2024 Plan and our ESPP provide for annual automatic increases in the number of shares reserved thereunder.

Except as otherwise indicated, all information in this prospectus, including the number of shares of our common stock that will be outstanding after this offering, reflects and assumes:

- a 1-for-6,436.1693 split of our common stock effected on April 1, 2024;
- the filing and effectiveness of our amended and restated certificate of incorporation (Amended and Restated Charter) and the effectiveness of our amended and restated bylaws (Amended and Restated Bylaws), each of which will occur immediately prior to the completion of this offering;
- no exercise by the underwriters of their option to purchase additional shares of our common stock from the selling stockholders; and
- an assumed initial public offering price of $21.00 per share, which is the midpoint of the price range set forth on the cover of this prospectus.

SUMMARY COMBINED/CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables summarize our combined/consolidated financial and other data for the periods and as of the dates indicated. The summary combined/consolidated statements of income for the years ended December 31, 2023, 2022 and 2021 and the combined/consolidated balance sheet data as of December 31, 2023 have been derived from our audited combined/consolidated financial statements included elsewhere in this prospectus. The summary combined/consolidated financial and other data set forth below should be read together with the section of this prospectus titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited combined/consolidated financial statements and the related notes included elsewhere in this prospectus. The summary combined/consolidated financial and other data in this section are not intended to replace our audited combined/consolidated financial statements and the related notes and are qualified in their entirety by our audited combined/consolidated financial statements and the related notes included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results to be expected in the future.

Combined/Consolidated Statements of Income

	Year Ended December 31,		
	2023	2022	2021
	(in thousands, except share and per share data)		
Revenue			
Patient and resident service revenue	$ 3,110,114	$ 2,399,155	$ 1,135,909
Additional funding	$ 375	$ 21,482	$ 28,563
Other revenues	$ 1,003	$ 1,357	$ 2,091
Total Revenue	$ 3,111,492	$ 2,421,994	$ 1,166,563
Expenses			
Cost of services	$ 2,447,713	$ 1,861,314	$ 901,095
Rent-cost of services	$ 216,711	$ 160,003	$ 78,122
General and administrative expense	$ 213,664	$ 149,006	$ 96,834
Depreciation and amortization	$ 25,632	$ 22,311	$ 7,153
Total Operating Expenses	$ 2,903,720	$ 2,192,634	$ 1,083,204
Operating Income	$ 207,772	$ 229,360	$ 83,359
Other (expense) income			
Interest expense	$ (49,919)	$ (25,538)	$ (5,278)
Other income, net	$ (536)	$ 3,223	$ 3,345
Total Other Expense, net	$ (50,455)	$ (22,315)	$ (1,933)
Income before provision for income taxes	$ 157,317	$ 207,045	$ 81,426
Provision for income taxes	$ (44,435)	$ (56,549)	$ (33,479)
Net income	$ 112,882	$ 150,496	$ 47,947
Less:			
Net income attributable to noncontrolling interest	$ 8	$ —	$ —
Net income attributable to PACS Group, Inc.	$ 112,874	$ 150,496	$ 47,947
Net income per share - basic and diluted	$ 0.88	$ 1.17	$ 0.37
Shares used in computing net income per share - basic and diluted	128,723,386	128,723,386	128,723,386

Combined/Consolidated Balance Sheet Data

	As of December 31, 2023	
	Actual	As Adjusted(1)(2)
	(in thousands)	
Cash and cash equivalents	$ 73,416	$ 113,758
Working capital(3)	$ 265,221	$ 305,563
Total assets	$ 3,512,739	$ 3,553,081
Long-term liabilities	$ 2,954,087	$ 2,624,087
Total liabilities	$ 3,411,013	$ 3,081,012
Retained earnings	$ 95,997	$ 95,997
Total stockholders' equity	$ 96,126	$ 466,469

(1) The as adjusted combined/consolidated balance sheet data gives effect to the sale and issuance of 19,050,000 shares of common stock by us in this offering, based on an assumed initial public offering price of $21.00 per share (which is the midpoint of the price range set forth on the cover page of this prospectus), after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, and the application of the net proceeds from this offering as described in "Use of Proceeds." The as adjusted combined/consolidated balance sheet data does not give effect to the use of existing cash to satisfy the anticipated tax withholding and remittance obligations of approximately $29.4 million related to the vesting and settlement of restricted stock units that will be granted to certain of our executive officers and other employees prior to the completion of this offering pursuant to our 2024 Plan (based on an assumed initial public offering price of $21.00 per share, which is the midpoint of the price range set forth on the cover of this prospectus, and an assumed 37% tax withholding rate).

(2) Each $1.00 increase or decrease in the assumed initial public offering price of $21.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, the as adjusted amount of each of our cash and cash equivalents, working capital, total assets, and total stockholders' equity by $17.9 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, an increase or decrease of 1.0 million shares in the number of shares of common stock offered would increase or decrease, as applicable, each of our cash and cash equivalents, working capital, total assets, and total stockholders' equity by $19.7 million, assuming the initial public offering price remains the same, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. The as adjusted combined/consolidated balance sheet data discussed above is illustrative only and will depend on the actual initial public offering price and other terms of this offering determined at pricing.

(3) We define working capital as current assets less current liabilities. See our audited combined/consolidated financial statements and the related notes included elsewhere in this prospectus for further details regarding our current assets and current liabilities.

Key Skilled Services Metrics and Non-GAAP Financial Measures

We use the following key skilled services metrics and non-GAAP financial measures to help us evaluate our business, identify trends that affect our financial performance, and make strategic decisions.

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Key Skilled Services Metrics			
Skilled nursing services revenue	$ 3,092,577	$ 2,391,309	$ 1,133,103
Skilled mix by revenue	55.1 %	64.1 %	57.8 %
Skilled mix by nursing patient days	32.4 %	40.7 %	34.5 %
Occupancy for skilled nursing services:			
Available patient days	7,457,345	5,719,689	3,106,602
Actual patient days	6,775,063	5,139,736	2,681,927
Occupancy rate (operational beds)	90.9 %	89.9 %	86.3 %
Number of facilities at period end	203	150	138
Number of operational beds at period end	22,950	16,345	14,841
Non-GAAP Financial Measures			
Performance Measures			
EBITDA(1)	$ 232,860	$ 254,894	$ 93,857
Adjusted EBITDA(1)	$ 237,486	$ 255,516	$ 104,073
Valuation Measure			
Adjusted EBITDAR(1)	$ 454,197		

(1) EBITDA, Adjusted EBITDA and Adjusted EBITDAR are non-GAAP financial measures and should be considered in addition to, not as a substitute for or in isolation from, our financial results prepared in accordance with U.S. GAAP. EBITDA and Adjusted EBITDA are performance measures and Adjusted EBITDAR is a valuation measure therefore presented only for the current period. Other companies, including companies in our industry, may calculate these measures differently or not at all, which reduces their usefulness as comparative measures. For a reconciliation of each of EBITDA, Adjusted EBITDA, and Adjusted EBITDAR to the most directly comparable U.S. GAAP financial measure, information about why we consider these measures useful and a discussion of the material risks and limitations of these measures, please see the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Skilled Services Metrics and Non-GAAP Financial Measures—Non-GAAP Financial Measures."

See the section titled "Management's Discussion and Analysis of Financial Conditions and Results of Operations—Key Skilled Services Metrics and Non-GAAP Financial Measures" included elsewhere in this prospectus for a description of, and additional information about, these key skilled services metrics and non-GAAP financial measures.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider each of the following risk factors and all other information set forth in this prospectus. Based on the information currently known to us, we believe that the following information identifies the most significant risk factors affecting our company. However, the risks and uncertainties we face are not limited to those set forth in the risk factors described below. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business. In addition, past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

If any of the following risks and uncertainties develops into actual events or circumstances, they could have a material adverse effect on our business, financial condition and results of operations. In such case, the market price of our common stock could decline. You should carefully read the following risk factors, together with our audited combined/consolidated financial statements and the related notes and all other information included in this prospectus. This prospectus contains forward-looking statements that contain risks and uncertainties. See the section titled "Cautionary Note Regarding Forward-Looking Statements" in connection with your consideration of the risk factors and other important factors that may affect future results described below.

Risks Related to Our Business and Industry

We depend upon reimbursement from third-party payors, and our revenue, financial condition and results of operations could be negatively impacted by any changes in the acuity mix of patients in our facilities as well as changes in payor mix and payment methodologies and new cost containment initiatives by third-party payors.

Our revenue is affected by the percentage of the patients of our operating subsidiaries who require a high level of skilled nursing and rehabilitative care, whom we refer to as high acuity patients or skilled patients, and by our mix of payment sources. Changes in the acuity level of patients we attract, as well as our payor mix among Medicaid, Medicare, private payors and managed care companies, significantly affect our revenue. Because high acuity patients require more skilled nursing services and a higher level of care, we generally receive higher reimbursement rates for providing care to them. Lower acuity patients, who are typically Medicaid beneficiaries, typically require fewer skilled nursing services and thus we are typically paid lower rates by Medicaid for caring for them, sometimes at rates that do not cover our costs of providing care to the patient. Reimbursement rates provided for caring for skilled patients are more likely to meet or exceed the costs of providing care to those patients, thus allowing the facility to be fiscally sustainable. Given the generally predetermined nature of the reimbursement rates that we are paid for caring for patients, depending on their acuity level, if our labor or other operating costs increase disproportionately compared to the reimbursement rates we are paid for providing services, particularly with Medicaid patients, we will generally be unable to recover the increased costs from payors unless and until reimbursement rates are adjusted, and even then they may not be adjusted in full, in a timely manner, and are typically only adjusted on a prospective basis. Accordingly, if we fail to maintain our proportion of high acuity patients or if there is any significant increase in the percentage of the patients of our operating subsidiaries for whom we receive Medicaid reimbursement, it could have a material adverse effect on our business, financial condition, and results of operations.

Initiatives undertaken by major insurers and managed care companies, including companies who run plans commonly referred to as Managed-Medicare and Managed-Medicaid, to reduce their costs and the amounts they pay providers may adversely affect our business. These tactics include contracting with healthcare providers to obtain services on a discounted basis. We believe that this trend will continue and may limit reimbursements for healthcare services. If insurers or managed care companies from whom we receive substantial payments were to reduce the amounts they pay for services and we did not wish to accept such reductions, we may lose patients if we choose not to renew our contracts with these insurers at their lower offered rates. Additionally, some payors have used the federal "No Surprises Act" or similar state legislation as a means to initiate re-negotiation of reimbursement rates for providers and facilities, leading to litigation between these providers and/or facilities against payors and it may adversely affect us as well. In addition, sustained unfavorable economic conditions may affect the number of patients enrolled in managed care programs and the profitability of managed care companies, which could result in reduced payment rates.

We may not be fully reimbursed for all services for which each facility bills through consolidated billing or bundled payments, which could have an adverse effect on our revenue, financial condition and results of operations.

In connection with the per diem prospective payments paid to SNFs, SNFs are required to perform consolidated billing for certain items and services furnished to patients and residents. Consolidated billing generally requires the SNF to bill a single daily amount for the entire package of care that its patients receive during a SNF stay covered by Medicare Part A or Medicare Advantage plans. Given the generally predetermined nature of the reimbursement rates that SNFs are paid for caring for patients, if our operating costs increase disproportionately compared to the reimbursement rates we are paid for providing services under consolidated billing, there could be a material adverse effect on our business, financial condition, and results of operations.

In addition, CMS has implemented certain payment initiatives that bundle acute care and post-acute care reimbursement. Post-hospitalization skilled nursing services must be “bundled” into the hospital’s diagnostic related group payment in certain limited circumstances, in which case the hospital and SNF must effectively divide the payment that otherwise would have been made to the hospital and no additional funds are paid by Medicare for the skilled nursing care of the patient. Although this practice applies to only a limited number of DRGs and is uncommon at our SNFs currently, it could adversely affect SNF utilization and payments, whether due to the practical difficulty of this apportionment or hospitals being reluctant to lose revenue by discharging patients to a SNF. If more payments are required to be bundled in the future, or if there is any significant increase in patients for whom we receive bundled payments, our SNFs may not receive full reimbursement for all the services they provide, which could have a further adverse effect on SNF utilization and our revenue, financial condition and results of operations.

Increased competition for, or a shortage of, nurses, nurse assistants and other skilled personnel could increase our staffing and labor costs and subject us to monetary fines.

Our success depends upon our ability to retain and attract nurses and other skilled personnel, such as registered nurses, licensed vocational nurses, licensed practical nurses, certified nurse assistants, social workers and speech, physical and occupational therapists, as well as skilled management personnel responsible for day-to-day facility operation. Each facility has a facility administrator who is ultimately responsible for the overall day-to-day operations of the facility, including quality of care, social services and financial performance. Each facility administrator leads a team of facility staff who are directly responsible for day-to-day care of the facility residents, as well as other operational functions of the facility including marketing and community outreach programs. Other key positions supporting each facility may include individuals responsible for physical, occupational and speech therapy, food service and maintenance. We compete with various healthcare service providers, including other skilled nursing providers, in retaining and attracting qualified and skilled personnel. We also compete with businesses outside of healthcare in our efforts to attract and retain talented employees.

Our subsidiaries operate SNFs in Arizona, California, Colorado, Kentucky, Missouri, Nevada, Ohio, South Carolina and Texas. Some states have established minimum staffing requirements for facilities operating in that state, and other states may do the same in the future, or existing requirements may become more stringent. Failure to comply with these requirements due to competition for, a shortage of or an inability to hire required personnel can, among other things, jeopardize a facility’s compliance with the conditions of participation under relevant state and federal healthcare programs. If a facility is determined to be out of compliance with these requirements, it may be subject to a notice of deficiency, a citation, or a significant fine or litigation risk, with penalties including the suspension of patient admissions and the termination of Medicaid participation, or the suspension, revocation or non-renewal of the SNF’s license, and may also disqualify the facility from participation in state programs that reward facilities for meeting applicable quality criteria.

If federal or state governments were to materially change the way compliance with applicable staffing standards is calculated or enforced, our labor or other operating costs could increase and the current shortage of healthcare workers could impact us more significantly. The local labor markets where we compete are sometimes in a state of disequilibrium where the needs of businesses such as ours outstrip the supply of available and willing workers, which can make it challenging to hire sufficient quantities of staff locally and may require us to use third-party staffing companies to provide healthcare workers at an even higher cost. There is additional upward pressure on wages in many of our markets from different industries and more generally due to the current rate of inflation. Some of these industries compete with us for labor, which makes it difficult to make significant hourly wage and salary increases due to the fixed nature of our reimbursement under insurance contracts as well as Medicare and Medicaid, in addition to our increasing fixed and variable costs. Due to the generally limited supply of qualified applicants who seek or are willing to accept employment in certain of our markets, these broader trends may increase our labor costs or lead to potential staffing shortages, reduced operations to comply with applicable laws and regulations, or difficulty complying with those laws and regulations at current operational levels, or limit our ability to admit all residents who would like to receive care at our facilities.

Existing or future federal, state or local laws and regulations may increase our costs of maintaining qualified nursing and skilled personnel, or make it more difficult for us to attract or retain qualified nurses and skilled staff members. For instance, the Center for Medicare and Medicaid Services (CMS) has proposed regulations that will impose minimum staffing mandates on nursing facilities nationwide. If those regulations are implemented in the proposed form, or even with less prescriptive requirements, many skilled nursing facilities nationwide may experience significantly increased staffing costs, even if sufficient numbers of applicants are available to meet the staffing mandate. Due to labor shortages and other opportunities available to qualified workers, there can also be no assurance that sufficient numbers of applicants will be available to fulfill any staffing requirements that may be imposed, whether at pay rates that companies can afford or otherwise. Furthermore, CMS and some states have published guidance to surveyors addressing topics that specifically include nurse staffing and collection of payroll data to evaluate staffing levels, which may lead to future regulation that increase our staffing requirements and labor costs or lower revenues.

Increased competition for, or a shortage of, nurses or other qualified personnel, or general ongoing inflationary pressures may require that we enhance our pay and benefits packages, potentially beyond what we can afford in light of applicable reimbursement rates and other cost pressures, to compete effectively for such personnel. Turnover rates and the magnitude of the shortage of nurses or other trained personnel vary substantially from market to market and facility to facility, and may adversely affect the applicable facilities' quality and other ratings based on data reported to CMS. In addition, if we fail to attract and retain qualified and skilled personnel, our ability to conduct our business operations could be harmed.

State efforts to regulate or deregulate the healthcare services industry or the construction expansion, or acquisition of healthcare facilities could impair our ability to expand our operations, or could result in increased competition.

Some states require healthcare providers, including SNFs, to obtain prior approval, commonly known as a certificate of need, for: (1) the purchase, construction or expansion of healthcare facilities; (2) capital expenditures exceeding a prescribed amount; or (3) changes in services or bed capacity.

Other states that do not require certificates of need have effectively limited the expansion of existing facilities and the establishment of new ones by placing partial or complete moratoria on the number of new Medicaid beds those states will certify in certain areas or throughout the entire state. Still other states have established such stringent development standards and approval procedures for constructing new healthcare facilities that the construction of new facilities, or the expansion or renovation of existing facilities, may become cost-prohibitive, excessively time-consuming or otherwise unfeasible. In addition, some states require the approval of the state Attorney General for acquisition of a facility being operated by a non-profit organization.

Our ability to acquire or construct new facilities or expand or provide new services at existing facilities would be adversely affected if we are unable to obtain the necessary approvals, if there are changes in the standards applicable to those approvals, or if we experience delays and increased expenses associated with obtaining those approvals. We may not be able to obtain licensure, certificate of need approval, Medicaid certification, state Attorney General approval or other necessary approvals for future expansion projects or acquisitions. Conversely, the elimination or reduction of state regulations that limit the construction, expansion or renovation of new or existing facilities could result in increased competition to us or result in overbuilding of facilities in some of our markets. If overbuilding in the skilled nursing industry in the markets in which we operate were to occur, it could reduce the occupancy rates of existing facilities and, in some cases, might reduce the private rates that we charge for our services.

We face numerous risks related to expiration of the COVID-19 public health emergency (PHE) expiration and surrounding wind-down and uncertainty, which could, individually or in the aggregate, have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects.

The extent to which the expiration and wind down of the COVID-19 PHE will affect our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence. There remains uncertainty as to what changes will be made to the United States Department of Health and Human Services' (HHS's) emergency response requirements or other laws and regulations for our SNFs in order to better respond to the issues experienced during the COVID-19 PHE or that continue to exist due to COVID-19 or other infectious diseases. Additionally, the expiration of the Emergency Waivers and other flexibilities allowed under the COVID-19 PHE, which ended as of May 11, 2023, have required, and may continue to require, operational changes, sometimes on short notices, and these reinstatements have not occurred simultaneously, requiring heightened monitoring to ensure compliance. These reinstatements of waived state and federal regulations create the risk of non-compliance and delays in operation as more attention is required to ensure that our operations comply with applicable laws and regulations.

To the extent COVID-19 or other infectious diseases are endemic in nature, we and our independent operating subsidiaries may face continued challenges from ongoing infection control and emergency preparedness requirements made part of state laws or regulations. Additionally, the long-term effects of the COVID-19 pandemic may include long-term decline in demand for care in SNFs, which will be borne out only through time.

The majority of our patients are older individuals and/or individuals with complex medical challenges or multiple ongoing diseases, many of whom may be more vulnerable than the general public during a pandemic or in a public health emergency. Our employees are also at greater risk of contracting contagious diseases due to their increased exposure to vulnerable individuals. Our employees could have difficulty attending to our patients if a program of social distancing or quarantine is instituted in response to a public health emergency. Healthcare providers may have heightened exposure to contagious diseases or may be impacted due to prioritization of hospital resources toward any resurgence of the COVID-19 pandemic or any future pandemic and restrictions on travel. Furthermore, as a result of supply chain, labor market and other disruptions driven by the COVID-19 pandemic and the post-COVID environment, COVID-19 or any future pandemic may further negatively affect our operations or the operations of our landlords, lenders, vendors, suppliers and other business partners that we rely upon to carry out our operations, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, we may expand existing internal policies in a manner that may have a similar effect. If there is a resurgence of COVID-19, or any variants thereof, or any other pandemic contagious diseases were to occur, we could suffer significant losses to our patient population or a reduction in the availability of our employees and caregivers, and we could be required to hire replacements for affected workers at an inflated cost. Accordingly, public health emergencies could have a disproportionate material adverse effect on our financial condition and results of operations. Further, litigation and/or investigations regarding COVID-19 or similar widespread public health emergencies could materially and adversely affect our business, financial condition, results of operations, compliance with financial covenants and liquidity. Other unforeseen events, including acts of violence, war, terrorism and other international, regional or local instability or conflicts (including labor issues), embargoes, natural disasters such as earthquakes, whether occurring in the United States or abroad, could restrict or disrupt our operations. We cannot presently predict the scope and severity of any potential business shutdowns or disruptions, but if we or any of the third parties with whom we engage were to experience prolonged business shutdowns or other disruptions, our ability to conduct our business in the manner and on the timelines presently planned could be materially and negatively affected, which could have a material adverse impact on our business, financial condition and results of operations.

If we fail to attract patients and residents and to compete effectively with other healthcare providers, our revenue and profitability may decline and we may incur losses.

We rely significantly on appropriate referrals from physicians, hospitals and other healthcare providers in the communities in which we deliver our services to attract appropriate residents and patients to our facilities. Our referral sources are not obligated to refer business to us and may refer business to other healthcare providers. We believe many of our referral sources refer business to us as a result of the quality of our patient care and our efforts to establish and build a relationship with our referral sources. If we lose, or fail to maintain, existing relationships with our referral resources, fail to develop new relationships, or if we are perceived by our referral sources as not providing high quality patient care, our occupancy rate and the quality of our patient mix could suffer. The establishment of joint ventures or networks between referral sources, such as acute-care hospitals, and other post-acute providers may hinder patient referrals to us. The growing emphasis on integrated care delivery across the healthcare continuum increases that risk. In addition, if any of our referral sources have a reduction in patients whom they can refer due to a decrease in their business, our occupancy rate and the quality of our patient mix could suffer.

The healthcare services industry is highly competitive. Our skilled nursing facilities compete primarily on a local and regional basis with other skilled nursing facilities and with assisted/senior living facilities, from national and regional chains to smaller providers owning as few as a single facility. Competitors include other for-profit providers as well as non-profits, religiously-affiliated facilities, and government-owned facilities. We also compete under certain circumstances with inpatient rehabilitation facilities and long-term acute care hospitals. Our ability to compete successfully varies from location to location and depends on a number of factors, including the number of competing facilities in the local market and the types of services available at those facilities, our local reputation for quality care of patients, the commitment and expertise of our caregivers, our local service offerings and treatment programs, the cost of care in each locality, and the physical appearance, location, age and condition of our facilities. If we are unable to attract patients to our facilities and agencies, particularly high-acuity patients, then our revenue and profitability will be adversely affected. Some of our competitors may have greater recognition and be more established in their respective communities than we are, and may have greater financial and other resources than we have. Competing long-term care companies may also offer newer facilities or different programs or services than we do, which, combined with the foregoing factors, may result in our competitors being more attractive to our current patients, to potential patients and to referral sources. Furthermore, while we budget for routine capital expenditures at our facilities to keep them competitive in their respective markets, to the extent that competitive forces cause those expenditures to increase in the future, our financial condition may be negatively affected.

We believe we utilize a conservative approach in complying with laws prohibiting kickbacks and referral payments to referral sources. If our competitors use more aggressive methods than we do with respect to obtaining patient referrals, our competitors may from time to time obtain patient referrals that are not otherwise available to us.

The primary competitive factors for our assisted and senior living services are similar to those for our skilled nursing businesses and include reputation, the cost of services, the quality of services, responsiveness to patient/resident needs and the ability to provide support in other areas such as third-party reimbursement, information management and patient recordkeeping. Furthermore, given the relatively low barriers to entry and continuing healthcare cost containment pressures, we expect that the markets we service will become increasingly competitive in the future. Increased competition in the future could limit our ability to attract and retain patients and residents, maintain or increase our fees, or expand our business.

We review and audit the care delivery, recordkeeping and billing processes of our operating subsidiaries. These reviews from time to time detect instances of noncompliance that we attempt to correct, which in some instances requires reduced or repayment of billed amounts or other costs.

We have internal compliance professionals and invest in other resources to help us comply with various requirements of federal and private healthcare programs. Our compliance program includes, among other things, (1) policies and procedures that take into account applicable laws, regulations, sub-regulatory guidance and industry practices and customs that govern the clinical, reimbursement and operational aspects of our operating subsidiaries; (2) training about our compliance process for employees throughout our organization, our directors and officers, and training about Medicare and Medicaid laws, fraud and abuse prevention, clinical standards and practices, and claim submission and reimbursement policies and procedures for appropriate employees; and (3) internal controls that monitor, among other things, the accuracy of claims, reimbursement submissions, cost reports and source documents, provision of patient care, services, and supplies as required by applicable standards and laws, accuracy of clinical assessment and treatment documentation, and implementation of judicial and regulatory requirements (i.e., background checks, licensing and training).

While we have not experienced any material compliance issues to date, from time to time, our systems and internal controls highlight potential compliance issues, which we investigate as they arise. We similarly investigate concerns that are reported to us by employees or other persons. When errors or compliance failures are identified, we seek to rectify them as appropriate. Depending on the circumstances, in order to rectify a failure, we may be required to take certain actions, including but not limited to self-reporting them to applicable federal and state regulators, government agencies or other third parties, disgorging or paying money to the government or other third parties, and implementing changes to systems, personnel or other resources in order to mitigate the risk of recurrence, all of which could result in significant costs. Such issues, and any failure to properly remediate such issues or to timely identify and refund overpayments, for instance, could result in potential federal False Claims Act (FCA) liability and could have a material adverse effect on our business, financial condition and results of operations. Other significant compliance failures could have similar negative impacts.

We are subject to litigation, which is commonplace in our industry, which could result in significant legal costs and large settlement amounts or damage awards.

The skilled nursing business involves a significant risk of liability given the age and health of the patients and residents of our operating subsidiaries and the services we provide, and malpractice and other lawsuits against providers in our industry are endemic. The industry has experienced an increased trend in the number and severity of litigation claims, particularly patient-related litigation, due in part to the number of large verdicts, including large punitive damage awards. These claims are filed based upon a wide variety of claims and theories that they allege led to patient harm, including for state healthcare survey deficiencies received, allegations of insufficient staffing, allegations of insufficient training, allegations that companies put financial considerations over patient needs, and other claims. Plaintiffs' attorneys have become increasingly more aggressive in their pursuit of claims against healthcare providers, including skilled nursing providers, employing a wide variety of advertising and solicitation activities to generate more claims. Increased caps on damages that may be awarded in such actions has and may continue to lead to a larger frequency and severity of these lawsuits against our independent operating subsidiaries, particularly those who operate in California and other states that adopt similar legislation. We, and others in the industry, have been, and continue to be, subject to an increasing number of claims and lawsuits, including professional liability claims, alleging that services provided have resulted in personal injury, patient abuse or neglect, elder abuse, wrongful death or other related claims. For instance, in early 2023, we were subject to approximately $36 million in damages and fees awarded in a California jury verdict in a patient-care case that we inherited as part of an acquisition in late 2021. While we attempt to manage our patient care risks to the extent reasonably possible, there can be no assurance that we will not be subject to similar or larger verdicts in the future, particularly in light of the fact that large tort verdicts have become somewhat common throughout the United States, particularly in comparatively litigious states such as California and Kentucky. We may in the future do business in similarly or more litigious states as well. The defense of lawsuits has in the past, and may in the future, result in significant legal costs, regardless of the outcome, particularly as we and other providers have had to take on higher insurance deductibles and premiums. Additionally, increases to the frequency and/or severity of losses from such claims and suits may result in increased liability insurance premiums, increases in deductibles, a decline in available insurance coverage levels, or other negative impacts on the availability and cost of insurance, which could materially and adversely affect our business, financial condition and results of operations. In addition to carrying third-party liability insurance, starting in January 2022, we formed a wholly-owned captive insurance subsidiary, Welsch Insurance Ltd. (Welsch), that provides professional liability and general liability insurance to various consolidated operating subsidiaries. See the risk factor titled “Our self-insurance programs may expose us to significant and unexpected costs and losses.”

Furthermore, class action claims related to patient care, employment practices or other matters could be brought alleging legal violations that may materially affect our business, financial condition and results of operations. These types of claims have been filed against us and other companies in our industry in the past, and are likely to continue. For example, in recent years there has been a general increase in the number of suits filed against us and other companies in California, across industries, that purport to be wage and hour class action claims. They are typically based on alleged failures to permit or properly compensate for meal and rest periods, failure to pay for all time worked, and other alleged failures of California’s extensive wage and hour laws and regulations. While we have not had a similar experience in other states, circumstances could change in those states, or we could in the future operate in other states with litigation risks similar to California. If there were a significant increase in the number of these claims against us or an increase in amounts owing should plaintiffs be successful in their claims, this could have a material adverse effect to our business, financial condition, results of operations and cash flows.

In addition, we contract with a variety of landlords, lenders, vendors, suppliers, consultants and other individuals and businesses. These contracts typically contain covenants and default provisions. If the other party to one or more of our contracts were to allege that we have violated the contract terms, we could be subject to civil liabilities which could have a material adverse effect on our financial condition and results of operations.

If litigation is instituted against one or more of our subsidiaries, a successful plaintiff might attempt to hold us or one or more of our other subsidiaries liable for the alleged wrongdoing of the subsidiary principally targeted by the litigation. If a court in such litigation decided to disregard the corporate form and find that we or other entities are vicariously liable, the resulting judgment could increase our liability and adversely affect our financial condition and results of operations.

Our independently operating subsidiaries offer arbitration agreements to residents on admission, and require employees to enter into arbitration agreements as a condition of employment. While arbitration agreements have generally been favored by the courts, have been validated by the United States Supreme Court, and are believed to streamline the dispute resolution process and reduce the parties’ exposure to excessive legal fees and jury awards, courts in some states, as well as regulators in some states and on the federal level, have showed increasing opposition to the use and enforcement of arbitration agreements, particularly in consumer and employment contexts. Current CMS regulations prohibit nursing facility providers from requiring patients to enter into arbitration agreements as a condition of admission, and there have been prior legislative efforts on both state and federal levels to codify similar prohibitions. Furthermore, prior CMS proposals sought to prohibit any use of arbitration agreements between nursing homes and their patients. In light of its continuing negative view on arbitration, CMS has identified arbitration agreements as an area of focus and has issued guidance to state surveyors regarding federal requirements for the use of arbitration agreements in nursing home care, with non-compliance potentially resulting in fines and other sanctions. If we are not able to secure voluntary pre-admission arbitration agreements from our patients, our litigation exposure and costs of defense in patient liability actions could increase, our liability insurance premiums could increase, and our business may be adversely affected. We would be subject to similar risks if we are at some point prohibited from requiring employees to enter into arbitration agreements.

If we are unable to provide consistently high quality of care, or if our employees or staff members engage in conduct (or fail to take action) that impacts our patients’ health, safety, welfare or clinical treatment, our business will be adversely impacted and we may be subject to civil or criminal penalties, fines or other actions.

Providing quality patient care is fundamental to our business. Many of our patients have complex medical conditions or special needs, are vulnerable, and often require a substantial level of care and supervision. Our patients have in the past and could in the future be harmed by one or more of our employees or staff members, either intentionally, by accident, or through negligence, neglect, error, poor performance, mistreatment, assault, abuse, failure to provide proper care, failure to properly document or monitor or report information, failure to address risks to patients’ health or safety, failure to maintain appropriate staffing, failure to implement appropriate interventions or other actions or inaction. Employees and staff members have engaged in conduct (including failing to take action) that has impacted, and may in the future engage in conduct that impacts, our patients or their health, safety, welfare, or clinical treatment.

If one or more of our facilities experiences an adverse patient incident or is found to have failed to provide appropriate patient care (including as a result of a staffing shortages or the actions or inactions of our employees or staff members), governmental or regulatory authorities may take action against us or our employees or staff members, including an admissions ban, admissions hold, reduction in census, loss of accreditation, license revocation, administrative or other order, other adverse regulatory action, a settlement or other agreement requiring corrective actions or requiring us or a specific facility to demonstrate substantial compliance with licensure or other requirements, and the imposition of certain requirements. If such an action or a closure of a facility were to occur and result in the improper termination of patient care, we or our employees or staff members may be exposed to governmental or regulatory inquiries, investigations, liability, and litigation, including claims of patient abandonment. Certain of our independently operating subsidiaries have been, and may continue to be, subject to findings of quality of care deficiencies or practices, incidents of patient abuse or neglect, and claims regarding services rendered that do not meet the standard of care, which have resulted, and in the future may result, in civil or criminal penalties, fines and other actions.

Any such patient incident, adverse regulatory action, self-disclosure, self-report, claim or other event, action or inaction has in the past, and could in the future, result in governmental investigations, judgments, or fines and have a material adverse effect on our business, financial condition, and results of operations. While such enforcement actions are typically taken against individuals, we cannot predict how law enforcement or governmental or regulatory authorities will enforce the laws or whether governmental or regulatory authorities will assert that we or any of our employees or staff members are responsible for such actions, or should have known about such actions. In addition, we have been and could become the subject of negative publicity or unfavorable media attention or governmental or regulatory scrutiny, regardless of whether the allegations are substantiated, that could have a significant, adverse effect on the trading price of our common stock or adversely impact our reputation, our relationships with referral sources and payors, whether patients and their family members choose us, and whether our referral sources choose other providers.

We rely significantly on information technology, and any failure, inadequacy or interruption of that technology could harm our ability to effectively operate our business.

Our business relies on information technology. Our ability to effectively manage our business depends significantly information systems, including those operated by certain of our third-party partners. We also heavily rely on information systems to process financial and accounting information for financial reporting purposes. Any of these information systems could fail or experience a service interruption for a number of reasons, including computer viruses, programming errors, hacking or other unlawful activities, disasters or our failure to properly maintain system redundancy or protect, repair, maintain or upgrade our systems. The failure of our third-party partners' information systems to operate effectively or to integrate with other systems, or a breach in security of these systems, could negatively impact our financial results. If we experience any significant disruption to our financial information systems that we are unable to mitigate, our ability to timely report our financial results could be impacted, which could negatively impact our stock price. We also communicate electronically throughout the United States with our employees and with third parties, such as patients. A service interruption or shutdown could have a materially adverse impact on our operating activities and could result in reputational, competitive, and business harm. Furthermore, remediation and repair of any failure, problem or breach of our key information systems could require significant capital investments.

We calculate certain operational metrics using internal systems and tools and do not independently verify such metrics. Certain metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

We refer to a number of operational metrics herein, including, but not limited to, skilled mix, average daily rates, occupancy percentage, and other metrics. We use these metrics to monitor and evaluate our business as well as the various facilities that we own and operate, and these metrics have an influence on our strategy, operational decision-making, budgeting, and planning. We calculate these metrics using internal systems and tools that are not independently verified by any third-party. These metrics may differ from estimates or similar metrics published by third parties or other companies due to differences in sources, methodologies or the assumptions on which we rely. Our internal systems and tools have a number of limitations, and our methodologies for tracking these metrics may change over time, which could result in unexpected changes to our metrics, including the metrics we publicly disclose on an ongoing basis. If the internal systems and tools we use to track these metrics under count or over count performance or contain algorithmic or other technical errors, the data we present may not be accurate. While these numbers are based on what we believe to be reasonable estimates of our metrics for the applicable period of measurement, there are inherent challenges in measuring savings, the use of our solutions, services and offerings and other metrics. In addition, limitations or errors with respect to how we measure data or with respect to the data that we measure may affect our understanding of certain details of our business, which would affect our long-term strategies. If our operating metrics or our estimates are not accurate representations of our business, or if investors do not perceive our operating metrics to be accurate, or if we discover material inaccuracies with respect to these figures, our reputation may be significantly harmed, and our operating and financial results could be adversely affected.

We may be unable to complete future facility or business acquisitions at attractive prices or at all, which may adversely affect our revenue; we may also elect to dispose of underperforming or non-strategic operating subsidiaries, which would decrease our revenue.

To date, our revenue growth has been significantly impacted by our acquisition of new facilities and properties. Subject to general market conditions and the availability of essential resources and leadership within our company, we continue to seek both single-and multi-facility acquisition and property acquisition opportunities that are consistent with our strategic objectives.

We face competition for the acquisition of facilities and properties and expect this competition to continue and potentially increase. Based upon factors such as our ability to identify suitable acquisition candidates, future regulations affecting our ability to acquire new facility operations and related real estate, the purchase or lease price of the facilities, increasing interest rates for debt-financed purchases, prevailing market conditions, the availability of leadership to manage new facilities and our own willingness to take on new operations, the rate at which we have historically acquired facilities has fluctuated significantly. In the future, we anticipate the rate at which we may acquire facilities will continue to fluctuate, which may affect our revenue and profitability.

We have also previously acquired facilities, which over time became non-strategic or less desirable, and have divested them. In the future we may consider divesting similar facilities that we determine at that time to be non-strategic or less desirable. Divesting facilities will typically negatively impact our revenue, may divert management and other resources from acquisitions or other efforts, and may have other adverse effects on our business, financial condition and results of operation.

We may not be able to successfully integrate acquired facilities and properties into our operations, and we may not achieve the benefits we expect from any of our facility acquisitions.

We may not be able to successfully or efficiently integrate new acquisitions with our existing operating subsidiaries, culture and systems. The process of integrating acquisitions into our existing operations may result in unforeseen operating difficulties, divert management's attention from existing operations, or require an unexpected commitment of staff and financial resources, and may ultimately be unsuccessful. Integrating larger portfolios of acquired facilities concurrently may present similar but more acute challenges than integrating fewer facilities. Existing operations available for acquisition frequently serve or target different markets than those that we currently serve. We also may determine that renovations of acquired facilities and changes in staff and operating management personnel are necessary to successfully integrate those acquisitions into our existing operations. We may not be able to recover the costs incurred to reposition or renovate newly operating subsidiaries. The financial benefits we expect to realize from many of our acquisitions are largely dependent upon our ability to improve clinical performance, overcome regulatory deficiencies, rehabilitate or improve the reputation of the operations in the community, increase and maintain occupancy, control costs, and in some cases change the patient acuity mix. If we are unable to accomplish any of these objectives at the operating subsidiaries we acquire, we will not realize the anticipated benefits and we may experience lower than anticipated profits, or even losses.

During the years ended December 31, 2023 and 2022, we added 58 and nine stand-alone skilled nursing, assisted living, and subacute facilities, respectively. This growth, as well as growth in the current year and future years, has placed and will continue to place significant demands on our current management resources. Our ability to manage our growth effectively and to successfully integrate new acquisitions into our existing business will require us to continue to expand our operational, financial and management information systems and to continue to retain, attract, train, motivate and manage key employees, including facility-level leaders and our local directors of nursing. We may not be successful in attracting qualified individuals necessary for future acquisitions to be successful, and our management team may expend significant time and energy working to attract qualified personnel to manage facilities we may acquire in the future. Also, the newly acquired facilities may require us to spend significant time improving services at the facilities, and if we are unable to improve them quickly enough, we may be subject to litigation and/or loss of licensure or certification. If we are not able to successfully overcome these and other integration challenges, we may not achieve the benefits we expect from any of our acquisitions, which could have an adverse effect on our business, financial condition and results of operation.

In undertaking acquisitions, we may be adversely impacted by costs, liabilities and regulatory issues that may adversely affect our operations.

In undertaking acquisitions, we also may be adversely impacted by unforeseen liabilities attributable to the prior providers who operated those facilities, against whom we may have little or no recourse. Many facilities we have historically acquired were underperforming financially and had issues, including but not limited to, clinical, regulatory and litigation, prior to and at the time of acquisition. Even where we have improved patient care and operations at facilities that we have acquired, we still may face post-acquisition regulatory issues related to pre-acquisition events. These may include, without limitation, payment recoupment related to our predecessors' prior noncompliance, the imposition of fines, penalties, operational restrictions or special regulatory status. Further, we may incur post-acquisition compliance risk due to the difficulty or impossibility of immediately or quickly bringing non-compliant facilities into substantial compliance with applicable healthcare regulations. Diligence materials pertaining to acquisition targets, especially the underperforming facilities that often represent the greatest opportunity for operational and financial improvement, are often inadequate, inaccurate or impossible to obtain, sometimes requiring us to make acquisition decisions with incomplete information. Despite our due diligence procedures, facilities that we have acquired or may acquire in the future may generate unexpectedly low returns, may cause us to incur substantial losses, may require unexpected expenditures or other resources, or may otherwise not meet a risk profile that our investors find acceptable.

In addition, we might encounter unanticipated difficulties and expenditures relating to any of the acquired facilities, including contingent liabilities. For example, when we acquire a facility, we generally assume the facility's existing Medicare provider number for purposes of billing Medicare for services. If CMS later determines that the prior owner of the facility had received overpayments from Medicare for the period of time during which it operated the facility, or had incurred fines in connection with the operation of the facility, CMS could hold us liable for repayment of the overpayments or fines. We may be unable to improve every facility that we acquire.

We also incur regulatory risk in acquiring certain facilities due to the licensing, certification and other regulatory requirements affecting our right to operate the acquired facilities. For example, in order to acquire facilities on a predictable schedule, or to acquire declining operations quickly to prevent further pre-acquisition declines, we frequently acquire such facilities prior to receiving license approval or provider certification. We operate such facilities as the interim manager for the outgoing licensee, assuming financial responsibility and other obligations for the facility. To the extent that we may be unable or delayed in obtaining a license, we may need to operate the facility under a management agreement from the prior operator. If we were subsequently denied licensure or certification for any reason, we might not realize the expected benefits of the acquisition and would likely incur unanticipated costs and other challenges which could cause our business to suffer.

We may have difficulty completing joint ventures that increase our capacity consistent with our growth strategy.

We may selectively pursue strategic acquisitions of, and we frequently pursue joint ventures with, other healthcare providers. We may face limitations on our ability to identify sufficient joint venture, acquisition or other development targets and to complete those transactions to meet goals. These joint ventures may not be profitable or may not achieve the profitability that justifies the investments made. Furthermore, the nature of a joint venture requires us to consult with and share certain decision-making powers with unaffiliated third parties, some of which may be not-for-profit health systems. We do not manage any of the joint ventures in which we invest, and operational and strategic decision making power is held by entities that we do not control. If our joint venture partners do not fulfill their obligations, the affected joint venture may not be able to operate according to its business or strategic plans, which could have a material adverse effect on our results of operations, or require us to increase our level of financial commitment to the joint venture. Moreover, differences in economic or business interests or goals among joint venture participants could result in delayed decisions, failures to agree on major issues and even litigation. If these differences cause the joint ventures to deviate from their business or strategic plans, or if our joint venture partners take actions contrary to our policies, objectives or the best interests of the joint venture, it could have a material adverse effect on our business, financial condition and results of operations.

If we do not achieve or maintain competitive quality of care ratings from CMS or private organizations engaged in similar rating activities, our business may be negatively affected.

CMS provides comparative public data, rating every SNF operating in each state based upon quality-of-care indicators. Certain private organizations engage in similar monitoring and ranking activities. CMS's system is commonly known as the Five-Star Quality Rating System. It gives each nursing home a rating of between one and five stars in various categories, with five-star ratings harder to obtain over time. The ratings are available on a publicly available website maintained by CMS currently called Care Compare. In cases of acquisitions, the previous operator's clinical ratings are included in our overall Five-Star Quality Rating and the rating may not reflect the improvements we were able to make until it is recalculated. Some of the ratings include a multi-year lookback period, which causes the prior operator's data to be factored into our ratings for some period of time. Based on CMS's guidance and regulations, we expect more data to be collected by CMS and reported on their website in the future.

CMS continues to increase quality measure thresholds, making it more difficult to achieve upward and five-star ratings. For instance, CMS increased its quality measure thresholds in October of 2022, making it more difficult for facilities to obtain or maintain four- and five-star ratings, allowing only 10% of nursing facilities within a state to receive a five-star rating. CMS discloses the increasing standards for four- and five-star ratings in its star rating cut point table, which discloses the points needed for each star rating within every state. CMS has indicated that it will increase these quality measure thresholds every six months. Some facilities may see a decline in their overall five-star rating absent any new inspection information, and as a result the five-star ratings of affected facilities may decline even as their quality measures remain unchanged or improve. Additionally, CMS displays on the Care Compare website a consumer alert icon for nursing homes that have been cited on inspection reports for incidents of abuse, neglect, or exploitation. If our facilities fail to have attractive or otherwise acceptable ratings on the Care Compare website it could negatively impact their operations, including their ability to attract or retain patients and an increase in expenses to improve such ratings.

Providing quality patient care is the cornerstone of our business. We believe that patients and their families choose our facilities, and hospitals, physicians and other referral sources refer patients to us, in large part because of our facilities' reputation for delivering quality care. If our facilities fail to achieve their rating goals or otherwise maintain positive reputations in their local communities, due to nursing and administrative staffing and turnover or otherwise, or if they receive a consumer alert icon for incidents of abuse, neglect, or exploitation or other negative ratings on Care Compare, it may affect our ability to attract patients, which could have a material adverse effect upon our business and consolidated financial condition, results of operations and cash flows. See the section titled "Business—Regulatory Matters."

If we are unable to obtain insurance, or if insurance becomes more costly for us to obtain, our business may be adversely affected.

It may become more difficult and costly for us to obtain coverage for resident care liabilities and other risks, including property, automobile and casualty insurance. For example, the following circumstances may adversely affect our ability to obtain insurance at favorable rates:

- we experience higher-than-expected professional liability, property and casualty, or other types of claims or losses;
- we receive survey deficiencies or citations of higher-than-normal scope or severity or experience higher-than-expected number of deficiencies or citations;
- we acquire especially troubled operations or facilities that present unattractive risks to current or prospective insurers;
- insurers tighten underwriting standards applicable to us or our industry; or
- insurers or reinsurers are unable or unwilling to insure us or the industry at historical premiums and coverage levels.

If any of these potential circumstances were to occur, our insurance carriers may require us to significantly increase our self-insured retention or deductible levels or pay substantially higher premiums for the same or reduced coverage for insurance, including workers compensation, property and casualty, automobile, employment practices liability, directors and officers liability, employee healthcare and general and professional liability coverages.

In some states, the law prohibits or limits insurance coverage for the risk of punitive damages arising from professional liability and general liability claims or litigation. Coverage for punitive damages is also excluded under some insurance policies. As a result, we may be liable for punitive damage awards in these states that either are not covered or are in excess of our insurance policy limits. Claims against us, regardless of their merit or eventual outcome, could also inhibit our ability to attract patients or expand our business and could require our management to devote time to matters unrelated to the day-to-day operation of our business.

With few exceptions, workers compensation and employee health insurance costs have also increased markedly in recent years. Due to the nature of our business and the residents we serve, including the risk of claims from residents as well as potential governmental action, it may be difficult to complete the underwriting process and obtain insurance at commercially reasonable rates. If we are unable to obtain insurance, or if insurance becomes more costly for us to obtain, or if the coverage levels we can economically obtain decline, our business may be adversely affected.

We do not carry insurance for all categories of risk that our business may encounter. Some of the policies we currently maintain include property, general liability, employment benefits liability, business automobile, workers’ compensation, and directors’ and officers’, employment practices and fiduciary liability insurance. We do not know, however, if we will be able to maintain insurance with adequate levels of coverage. Any significant uninsured liability may require us to pay substantial amounts, which would have an adverse effect on our financial condition and results of operations.

Our self-insurance programs may expose us to significant and unexpected costs and losses.

We are self-insured up to certain limits for workers compensation, property and casualty, automobile, employment practices liability, directors and officers liability, employee healthcare and general and professional liability coverages. The types and amounts of insurance may vary from time to time based on our decisions with respect to risk retention and regulatory requirements. We establish the insurance loss reserves based on an estimation process that uses information obtained from both company-specific and industry data. Estimated costs are subject to a variety of assumptions and other factors including the severity, duration and frequency of claims, legal costs associated with claims, healthcare trends and projected inflation of related factors. Material increases in the number of insurance claims, changes to healthcare costs, accident frequency and severity, legal expenses and other factors could result in unfavorable difference between actual self-insurance costs and our reserve estimates. As a result, our self-insurance costs could increase which may have a material adverse effect upon our business and consolidated financial condition, results of operations and cash flows.

The geographic concentration of our facilities could leave us vulnerable to an economic downturn, regulatory changes or acts of nature in those areas.

Our facilities located in California account for a significant majority of our total revenue. As a result of this concentration, the conditions of local economies, changes in governmental rules, regulations and reimbursement rates or criteria, changes in demographics, state funding, acts of nature and other factors that may result in a decrease in demand and/or reimbursement for skilled nursing services in these states could have a disproportionately adverse effect on our revenue, costs and results of operations. Moreover, since approximately 63% of our skilled nursing beds are located in California as of December 31, 2023, we are particularly susceptible to revenue loss, cost increase or damage caused by natural disasters such as electrical power shortages, fires, earthquakes or mudslides, or increased liabilities that may arise from regulations. See the section titled “Business—Regulatory Matters.”

In addition, our facilities in Kentucky, South Carolina, Missouri, Ohio and Texas are more susceptible to revenue loss, cost increases or damage caused by natural disasters including hurricanes, tornadoes and flooding. These acts of nature may cause disruption to us, the employees of our operating subsidiaries and our facilities, which could have an adverse impact on the patients of our operating subsidiaries and our business. In order to provide care for the patients of our operating subsidiaries, we are dependent on consistent and reliable delivery of food, pharmaceuticals, utilities and other goods to our facilities, and the availability of qualified employees to provide services at our facilities. If the delivery of goods or the ability of employees to reach our facilities were interrupted in any material respect due to a natural disaster or other reasons, it would have a significant impact on our facilities and our business. Furthermore, the impact, or impending threat, of a natural disaster may require that we evacuate one or more facilities, which would be costly and would involve risks, including potentially fatal risks, for the patients. The impact of disasters and similar events is inherently uncertain. Furthermore, due to the concentration of our operations in these states, our business may be adversely affected by economic conditions, contagious disease outbreaks, including COVID-19, political unrest, and other conditions over which we have no control that disproportionately affect these states as compared to other states. Such events could harm the patients and employees of our operating subsidiaries, severely damage or destroy one or more of our facilities, adversely affect our business, reputation and financial condition, or otherwise cause our business to suffer in ways that we currently cannot predict.

The actions of national labor unions may adversely affect our revenue and our profitability.

Some of our facilities are parties to collective bargaining agreements with labor unions, and we anticipate that additional facilities will enter into collective bargaining agreements in the future. Forthcoming proposed rules from CMS, which, based on the Biden Administration’s executive orders, as well as potential legislation such as the HCBS Access Act aimed toward providing more resources to those considering care-based careers, may increase the likelihood of employee unionization due to increased emphasis on care-based careers in SNF facilities. If employees decide to unionize, our cost of doing business could increase, and we could experience contract delays, difficulty in adapting to a changing regulatory and economic environment, cultural conflicts between unionized and non-unionized employees, strikes and work stoppages, and we may conclude that affected facilities or operations would be uneconomical to continue operating. See the section titled "Business—Regulatory Matters."

Because we lease the majority of our facilities, we are subject to risks associated with leased real property, including risks relating to lease termination, lease extensions and special charges, any of which could have an adverse effect on our business, financial condition and results of operations.

As of December 31, 2023, we leased 179 of our facilities. Most of our leases are triple-net leases, which means that, in addition to rent, we are required to pay for the costs related to the property (including property taxes, insurance, and maintenance and repair costs). Some of our leases cover more than one facility, including some leases that cover 25 or more facilities on a single master lease. We are responsible for paying these costs notwithstanding the fact that some of the benefits associated with paying these costs accrue to the landlords as owners of the associated facilities.

Each lease provides that the landlord may terminate the lease for a variety of reasons, including the default in any payment of rent, taxes or other payment obligations or the breach of any other covenant or agreement in the lease. Termination of a lease could result in a default under our debt agreements and could have an adverse effect on our business, financial condition and results of operations. There can be no assurance that we will be able to comply with all of our obligations under the leases in the future. Furthermore, there may be disputes with landlords regarding the obligations under such lease, or the ability of the landlord to terminate the lease, which could disrupt our business operations and increase expenses.

Failure to generate sufficient cash flow to cover required payments or meet operating covenants under our long-term debt, mortgages and long-term operating leases could result in defaults under those agreements and cross-defaults under other debt, mortgage or operating lease arrangements, which could harm our operating subsidiaries and cause us to lose facilities or experience foreclosures.

We may not generate sufficient cash flow from operations to cover interest, principal and lease payments. Additionally, under the terms of our amended and restated credit agreement with Truist Bank and a syndicate of lenders (Amended and Restated 2023 Credit Facility), we are subject to certain affirmative and negative covenants customary for credit facilities of this type as well as two financial covenants, a total leverage financial covenant and a fixed charge coverage ratio financial covenant. These restrictions may interfere with our ability to obtain additional advances under our Amended and Restated 2023 Credit Facility or to obtain new financing or to engage in other business activities, which may inhibit our ability to grow our business and increase revenue. See the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity & Capital Resources—Credit Facilities."

From time to time, the financial performance of one or more of our mortgaged facilities may not comply with the required operating covenants under the terms of the mortgage. Any non-payment, noncompliance or other default under our financing arrangements could, subject to cure provisions, cause the lender to foreclose upon the facility or facilities securing such indebtedness or, in the case of a lease, cause the lessor to terminate the lease, each with a consequent loss of revenue and asset value to us or a loss of property. Furthermore, in many cases, indebtedness is secured by both a mortgage on one or more facilities, and a guaranty by us. In the event of a default under one of these scenarios, the lender could avoid judicial procedures required to foreclose on real property by declaring all amounts outstanding under the guaranty immediately due and payable, and requiring us to fulfill our obligations to make such payments. If any of these scenarios were to occur, our financial condition would be adversely affected. For tax purposes, a foreclosure on any of our properties would be treated as a sale of the property for a price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds, which would negatively impact our earnings and cash position. Further, because our mortgages and operating leases generally contain cross-default and cross-collateralization provisions, a default by us related to one facility could affect a significant number of other facilities and their corresponding financing arrangements and operating leases.

Because our Amended and Restated 2023 Credit Facility, mortgages and lease obligations are fixed expenses and secured by specific assets, and because our revolving loan obligations are secured by virtually all of our assets, if reimbursement rates, patient acuity mix or occupancy levels decline, or if for any reason we are unable to meet our loan or lease obligations, we may not be able to cover our costs and some or all of our assets may become at risk. Our ability to make payments of principal and interest on our indebtedness and to make lease payments on our operating leases depends upon our future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting our operating subsidiaries, many of which are beyond our control. If we are unable to generate sufficient cash flow from operations in the future to service our debt or to make lease payments on our operating leases, we may be required, among other things, to seek additional financing in the debt or equity markets, refinance or restructure all or a portion of our indebtedness, sell selected assets, reduce or delay planned capital expenditures or delay or abandon desirable acquisitions. Such measures might not be sufficient to enable us to service our debt or to make lease payments on our operating leases. The failure to make required payments on our debt or operating leases or the delay or abandonment of our planned growth strategy could result in an adverse effect on our future ability to generate revenue and sustain profitability. In addition, any such financing, refinancing or sale of assets might not be available on terms that are economically favorable to us, or at all.

Our founders have personal guarantees under certain of our leases, which subjects them to increased risk of default.

Our founders have provided personal guarantees under certain of our leases using their personal property. Under the personal guarantees provided by our founders, our founders have agreed to satisfy our obligations under the leases in the event that we are unable to perform our obligations thereunder. In the event that the guarantee is enforced against either or both of our founders, they could be obliged to use their personal property to fulfill their obligations under the leases. If our founders are subject to personal bankruptcy or refute the guarantees, we may be subject to an increased risk of default under our leases. Our founders owe a fiduciary duty of loyalty to us. However, there is potential for conflicts of interest between each of their personal interests and ours whether their respective guaranty is called upon or not. No assurance can be given that material conflicts will not arise that could be detrimental to our operations and financial prospects.

We may need additional capital to fund our operating subsidiaries and finance our growth, and we may not be able to obtain it on terms acceptable to us, or at all, which may limit our ability to grow.

Our ability to maintain and enhance our operating subsidiaries and facilities in a suitable condition to meet regulatory standards, operate efficiently and remain competitive in our markets requires us to commit substantial resources to continued investment in our facilities and equipment. We are sometimes more aggressive than our competitors in capital spending to address issues that arise in connection with aging and obsolete facilities and equipment, and to otherwise make our facilities more attractive in their local markets. In addition, continued expansion of our business through the acquisition of existing facilities, expansion of our existing facilities and construction of new facilities may require additional capital, particularly if we were to accelerate our acquisition and expansion plans. Financing may not be available to us or may be available to us only on terms that are not favorable, including being subject to interest rates that are higher than those incurred in the past. In addition, some of our outstanding indebtedness and long-term leases restrict, among other things, our ability to incur additional debt. If we are unable to raise additional funds or obtain additional funds on terms acceptable to us, we may have to delay or abandon some or all of our growth strategies. Further, if additional funds are raised through the issuance of additional equity securities, the percentage ownership of our stockholders would be diluted. Any newly issued equity securities may have rights, preferences or privileges senior to those of our common stock.

Adverse market or macroeconomic conditions or market volatility resulting from global economic developments, political unrest, high inflation, rising interest rates, the post-COVID environment or other factors, could materially and adversely affect our business operations.

Adverse market or macroeconomic conditions or market volatility resulting from global economic developments, political unrest, high inflation, rising interest rates, the post-COVID environment or other factors, could materially and adversely affect our business operations. For instance, actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. For example, on March 10, 2023, Silicon Valley Bank was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation (FDIC), as receiver. Similarly, on March 12, 2023, Signature Bank Corp. and Silvergate Capital Corp. were each swept into receivership, and uncertainty remains over liquidity concerns in the broader financial services industry. We may maintain cash balances at third-party financial institutions in excess of the FDIC standard insurance limit. Although the U.S. Department of Treasury, FDIC and Federal Reserve Board announced a program to provide up to $25.0 billion of loans to financial institutions secured by certain of such government securities held by financial institutions, widespread demands for customer withdrawals or other liquidity needs of financial institutions may exceed the capacity of such program, and there is no guarantee that the U.S. Department of Treasury, FDIC and Federal Reserve Board will provide access to uninsured funds in the future in the event of the closure of such banks or financial institutions, or that they would do so in a timely fashion. These events could result in a variety of material and adverse impacts on our current and projected business operations and our financial condition and results of operations, including, but not limited to, the following:

- delayed access to deposits or other financial assets or the uninsured loss of deposits or other financial assets;
- potential or actual breach of statutory, regulatory or contractual obligations, including obligations that require us to maintain letters of credit or other credit support arrangements; or
- termination of cash management arrangements and/or delays in accessing or actual loss of funds subject to cash management arrangements.

In addition, any further deterioration in the macroeconomic economy or financial services industry could lead to losses or defaults by our partners, vendors or suppliers, which in turn, could have a material adverse effect on our current and/or projected business operations and results of operations and financial condition. For example, a partner may fail to make payments when due, default under their agreements with us, become insolvent or declare bankruptcy, or a supplier may determine that it will no longer deal with us as a customer. In addition, a vendor or supplier could be adversely affected by any of the liquidity or other risks that are described above as factors that could result in material adverse impacts on us, including but not limited to delayed access or loss of access to uninsured deposits or loss of the ability to draw on existing credit facilities involving a troubled or failed financial institution. The bankruptcy or insolvency of any partner, vendor or supplier, or the failure of any partner to make payments when due, or any breach or default by a partner, vendor or supplier, or the loss of any significant supplier relationships, could cause us to suffer material losses and may have a material adverse impact on our business.

The condition of the financial markets, including volatility and deterioration in the capital and credit markets, could limit the availability of debt and equity financing sources to fund the capital and liquidity requirements of our business, as well as negatively impact or impair the value of our current portfolio of cash, cash equivalents and investments, including U.S.-backed investments.

Our cash and cash equivalents are held in a mixture of bank accounts, overnight investments, and other interest-bearing accounts. As a result of the uncertain domestic and global political, economic, credit and financial market conditions, including the significant increases in interest rates and inflation in 2023 as compared to 2022 and prior years, investments in these types of financial instruments pose risks arising from liquidity and credit concerns. Given that future deterioration in the U.S. and global credit and financial markets is a possibility, no assurance can be made that losses or significant deterioration in the fair value of our cash, cash equivalents, or investments will not occur. Uncertainty surrounding the trading market for U.S. government securities or impairment of the U.S. government’s ability to satisfy its obligations under such treasury securities could impact the liquidity or valuation of our current portfolio of cash, cash equivalents, and investments. Further, continued domestic and international political uncertainty, along with credit, and financial market uncertainty, may make it difficult for us to liquidate our investments prior to their maturity without incurring a loss, which could have a material adverse effect on our business financial condition, results of operations and cash flows.

We may need additional capital if a substantial acquisition or other growth opportunity becomes available, or if other unexpected challenges or opportunities arise. U.S. capital markets can be volatile. We cannot assure you that additional capital will be available or available on terms acceptable to us. If capital is not available, we may not be able to fund internal or external business expansion or respond to competitive pressures or other market conditions.

Delays in reimbursement may cause liquidity problems.

If we experience problems with our billing information systems or if issues arise with Medicare, Medicaid or other payors, we may encounter delays in our payment cycle. In addition, third-party payors may not make timely payment to us. From time to time, we have experienced such delays as a result of government payors instituting planned reimbursement delays for budget balancing purposes or as a result of prepayment reviews. Delays also happen from time to time with managed care organizations and other insurance companies who are payors for our patients.

Some states in which we operate are operating with budget deficits or could have budget deficit in the future, which may delay reimbursement in a manner that would adversely affect our liquidity. In addition, from time to time, procedural issues require us to resubmit or appeal claims before payment is remitted, which contributes to our aged receivables. Unanticipated delays in receiving reimbursement from state programs or commercial payors due to changes in their policies or billing or audit procedures may adversely impact our liquidity and working capital.

The continued use and growth of managed care organizations (MCOs) may contribute to delays or reductions in our reimbursement, including Managed Medicaid.

In many states, including some of the largest where we operate, including California, state Medicaid benefits are administered through MCOs. Typically, these MCOs manage commercial health and federal Medicare Advantage benefits under a managed care contract.

MCOs and other third-party payors have continued to consolidate in order to enhance their ability to influence the delivery and cost structure of healthcare services. Consequently, the healthcare needs of a large percentage of the U.S. population are increasingly served by a smaller number of managed care organizations. These organizations generally enter into service agreements with a limited number of providers for needed services. In addition, third-party payors, including managed care payors, increasingly are demanding discounted fee structures.

Nationally, MCOs cover increasingly large numbers of Medicaid and Medicare Advantage beneficiaries. MCOs may be more aggressive than state Medicaid and federal Medicare agencies in denying claims or seeking recoupment of payments so that their services under these managed contracts are profitable. The additional steps created by the use of MCOs in disbursement of funds creates more risk of delayed, reduced, or recouped payments for our independent operating subsidiaries, and additional avenues for risks that include fines and other sanctions, including suspension or exclusion from participation in various governmental programs. To the extent that these organizations terminate us as a preferred provider, engage our competitors as a preferred or exclusive provider, demand discounted fee structures, limit the patients eligible for our services, or seek our assumption of all or a portion of the financial risk through a prepaid capitation arrangement, it could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Compliance with the regulations of the Department of Housing and Urban Development (HUD) may require us to make unanticipated expenditures which could increase our costs.

Certain of our facilities are currently subject to regulatory agreements with HUD that give the Commissioner of HUD broad authority to require us to be replaced as the operator of those facilities in the event that the Commissioner determines there are operational deficiencies at such facilities under HUD regulations. Compliance with HUD's requirements can often be difficult because these requirements are not always consistent with the requirements of other federal and state agencies. Appealing a failed inspection can be costly and time-consuming and, if we do not successfully remediate the failed inspection, we could be precluded from obtaining HUD financing in the future or we may encounter limitations or prohibitions on our operation of HUD-insured facilities.

If we fail to safeguard the monies held in our patient trust funds, we will be required to reimburse those monies, and we may be subject to citations, fines and penalties.

Each of our facilities is required by federal law to maintain a patient trust fund to safeguard certain assets of their residents and patients. If any money held in a patient trust fund is misappropriated, we are required to reimburse the patient trust fund for the misappropriated money. If any monies held in our patient trust funds are misappropriated in the future and are unrecoverable, we will be required to reimburse those monies, and we may also be subject to citations, fines and penalties pursuant to federal and state laws.

Security breaches, cyber-security incidents, or our inability to effectively integrate, manage and keep our information systems secure and operational could violate security laws, disrupt our operations, and subject us to significant liability.

Healthcare businesses are increasingly the target of cyberattacks whereby hackers disrupt business operations or obtain protected health information, often demanding large ransoms. Our business is dependent on the proper functioning and availability of our computer systems and networks. While we have taken steps to protect the safety and security of our information systems and the patient health information and other data maintained within those systems, we cannot assure you that our safety and security measures and disaster recovery plan will prevent damage, interruption or breach of our information systems and operations. Additionally, we cannot control the safety and security of our information held by third-party vendors with whom we contract. The techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect, and as such we (or third-party vendors) may be unable to anticipate these techniques or implement adequate preventive measures. In addition, hardware, software or applications we (or third-party vendors) develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise the security of information systems. Unauthorized parties may attempt to gain access to our systems or facilities, or those of third parties with whom we do business, through fraud or other forms of deception.

On occasion, we have acquired additional information systems through our business acquisitions, and these acquired systems may expose us to risk. We also license certain third-party software to support our operations and information systems. Our inability, or the inability of third-party vendors, to continue to maintain and upgrade information systems and software could disrupt or reduce the efficiency of our operations. In addition, costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or adequate support of existing systems also could disrupt or reduce the efficiency of our operations.

A cyber-attack or other incident that bypasses the security measures of our information systems could cause a security breach, which may lead to a material disruption to our information systems infrastructure or business, significant costs to remediate (e.g., data recovery) and may involve a significant loss of business or patient health information. If a cyber-attack or other unauthorized attempt to access our systems or facilities were successful, it could also result in the theft, destruction, loss, misappropriation or release of confidential information or intellectual property, could cause operational or business delays that may materially impact our ability to provide various healthcare services and otherwise conduct our business operations, and could require us to expend significant costs to remediate the breach and retrieve our data or access to our systems. Any successful cyber-attack or other unauthorized attempt to access our systems or facilities also could result in negative publicity which could damage our reputation or brand with our patients, referral sources, payors or other third parties and could subject us to a number of adverse consequences, the vast majority of which are not insurable, including but not limited to, disruptions in our operations, regulatory and other civil and criminal penalties, fines, investigations and enforcement actions (including, but not limited to, those arising from the SEC, Federal Trade Commission, Office of Civil Rights, the Office of the Inspector General (OIG) or state attorneys general), fines, private litigation with those affected by the data breach (including class action litigation), loss of customers, disputes with payors and increased operating expense, which either individually or in the aggregate could have a material adverse effect on our business, financial condition, results of operations and liquidity.

If we are unable to obtain, maintain and enforce intellectual property protection for our technology or if the scope of our intellectual property protection is not sufficiently broad, our ability to successfully compete and utilize our technology may be adversely affected.

Our business depends, in part, on internally developed technology and content, including software and know-how, the protection of which is important to the success of our business and strategy. We rely on a combination of trademark, trade-secret, and copyright laws and confidentiality procedures and contractual provisions to protect our intellectual property rights. We may, over time, increase our investment in protecting our intellectual property through additional trademark, patent and other intellectual property filings. These measures, however, may not be sufficient to offer us meaningful protection. If we are unable to establish or protect our intellectual property and other rights, our competitive position and our business could be harmed, as third parties may be able to develop technologies that are substantially the same as ours or challenge our ability to use our existing technologies.

Also, some of our services rely on technologies and software developed by or licensed from third parties, and we may not be able to maintain our relationships with such third parties or enter into similar relationships in the future on reasonable terms or at all. Our failure to obtain, maintain and enforce our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

We are a holding company with no operations and rely upon our multiple independent operating subsidiaries to provide us with the funds necessary to meet our financial obligations. Liabilities of any one or more of our subsidiaries could be imposed upon us or our other subsidiaries.

We are a holding company with no direct operating assets, employees or revenue. Each of our facilities is operated through a separate, wholly owned, independent subsidiary, which has its own local management, employees and assets. Our principal assets are the equity interests we directly or indirectly hold in our multiple operating and real estate holding subsidiaries. As a result, we are dependent upon distributions from our subsidiaries to generate the funds necessary to meet our financial obligations and pay dividends. Our subsidiaries are legally distinct from us and have no obligation to make funds available to us. The ability of our subsidiaries to make distributions to us will depend substantially on their respective operating results and will be subject to restrictions under, among other things, the laws of their jurisdiction of organization, which may limit the amount of funds available for distribution to investors or stockholders, agreements of those subsidiaries, the terms of our financing arrangements and the terms of any future financing arrangements of our subsidiaries. If the cash distributions we receive from our subsidiaries are insufficient for us to fund our financial obligations, we may be required to raise cash through the incurrence of debt, the issuance of equity or the sale of assets to fund. However, there is no assurance that we would be able to raise cash by these means. If the ability of any of our subsidiaries to pay dividends or make distributions or payments to us is materially restricted by regulatory or legal requirements, bankruptcy or insolvency, or our need to maintain our financial strength ratings, or is limited due to operating results or other factors, it could adversely affect our ability to meet our financial obligations and to pay dividends or make distributions to our stockholders.

Our future success depends on the continuing efforts of our management and key employees, and on our ability to attract and retain highly skilled personnel and senior management.

We depend on the talents and continued efforts of our senior management and key employees. The loss of members of our management or key employees may disrupt our business and harm our results of operations. Furthermore, our ability to manage further expansion will require us to continue to attract, motivate, and retain additional qualified personnel. Competition for this type of personnel is intense, and we may not be successful in attracting, integrating, and retaining the personnel required to grow and operate our business effectively. There can be no assurance that our current management team or any new members of our management team will be able to successfully execute our business and operating strategies.

Risks Related to Government Regulation

We rely on payments from third-party payors, including Medicare, Medicaid and other governmental healthcare programs and private insurance organizations. If coverage or reimbursement for services are changed, reduced or eliminated, including through cost-containment efforts, spending requirements are changed, data reporting, measurement and evaluation standards are enhanced and changed, our operations, revenue and profitability could be materially and adversely affected.

We derive substantial revenue from government healthcare programs, primarily Medicare and state Medicaid programs. Medicare is our largest source of total revenue, accounting for 38.6% and 47.6% of total revenue for the years ended December 31, 2023 and 2022, respectively. Additionally, we derived 37.6% and 30.2% of our total revenue from the Medicaid program for the years ended December 31, 2023 and 2022, respectively. Many other payors may use published Medicare rates as a basis for reimbursements. Accordingly, if Medicare reimbursement rates are reduced or fail to increase as quickly as our costs, if there are changes in the rules governing the Medicare program that are disadvantageous to our business or industry, or if there are delays in Medicare, Medicaid and other third-party payors payments, it could have a material adverse effect on our business, financial condition and results of operations.

Congress and the CMS often change the rules governing the Medicare program, including those governing reimbursement. Payments received from state Medicaid programs vary from state to state. These payments and programs are subject to statutory and regulatory changes, administrative rulings, interpretations, budgetary and funding constraints, and changes to the methods of calculating payments and reimbursements and requirements to participate in the programs. When these changes are implemented, we must also modify our operations and internal billing processes and procedures accordingly, which can require significant time and expense. As federal healthcare expenditures continue to increase and state governments may face budgetary shortfalls, federal and state governments have made, and may continue to make, significant changes to the Medicare and Medicaid programs and reimbursement received for services rendered to beneficiaries of such programs. The U.S. federal budget is subject to change, including reductions in federal spending, and the Medicare program is frequently mentioned as a target for spending cuts. The full impact on our business of any changes is uncertain. Changes to the Medicare program, state Medicaid programs and other third-party payor program that could adversely affect our business include:

- statutory and regulatory changes, including policy interpretations and changes that impact state reimbursement programs, particularly Medicaid reimbursement and managed care payments;
- administrative or legislative changes to base rates or the bases for payment;
- the reduction or elimination of annual rate increases, or the end of the reduced payments deferment;
- limits on the services or types of providers for which Medicare will provide reimbursement;
- changes in methodology for patient assessment and/or determination of payment levels;
- payment or other delays by fiscal intermediaries, carriers or payors;
- redefining enrollment standards and participation in government healthcare programs;
- changes in staff requirements (i.e., requiring all workers to be vaccinated against COVID-19 and receive booster injections for those vaccinations) as a condition of payment or eligibility for Medicare reimbursement;
- reduced reimbursement rates and changes in coverage under commercial and managed care contracts;

- changes in reimbursement rates, methods, or timing under governmental reimbursement programs, including reductions in annual reimbursement updates due to budgetary or other pressures;

- interruption or delays in payments due to any ongoing governmental investigations and audits or due to a partial or total federal or state government shutdown for a prolonged period of time;

- an increase in co-payments or deductibles payable by beneficiaries;

- recoupment efforts and recovery of overpayments;

- federal, state, and local litigation, administrative proceedings, and enforcement actions, including those relating to false claims, COVID-19 or future pandemics and the failure to satisfy the terms and conditions of financial relief; and

- reputational harm of publicly disclosed enforcement actions, audits, or investigations related to quality of care, patient harm and abuse, billing and reimbursement.

The healthcare industry broadly, including government and commercial payors, is initiating cost containment efforts. The Medicare program and its reimbursement rates and rules are subject to frequent change, including statutory and regulatory changes, rate adjustments (including retroactive adjustments), annual caps that limit the amount that can be paid (including deductible and coinsurance amounts), administrative or executive orders and government funding restrictions, all of which may materially adversely affect the rates at which Medicare reimburses us for our services. Additionally, payments can be delayed or declined due to determinations that certain costs are not reimbursable or reasonable because either adequate or additional documentation was not provided or because certain services were not covered or considered medically necessary. Revenue from these payors can be retroactively adjusted after a new examination during the claims settlement process or as a result of post-payment audits. Additionally, both government and private payors are increasingly looking to value-based purchasing to contain costs. Value-based purchasing focuses on quality of outcomes and efficiency of care, rather than quantity of care. Reductions in reimbursement rates or the scope of services being reimbursed could have a material, adverse effect on our business, financial condition and results of operations or even result in reimbursement rates that are insufficient to cover our operating costs.

For the fiscal year 2024, SNF prospective payment system (PPS) rule issued on July 31, 2023, Medicare Part A reimbursement for SNFs will increase by 4% in the next fiscal year. CMS also added new quality measures to take effect in fiscal years 2024 through 2027 that assess staff turnover, discharge success, res-hospitalization, and resident falls with injuries, which may adversely affect revenues obtained through the Medicare program. CMS's changes to the SNF Value-Based Purchasing (VBP) program, such as the SNF healthcare-associated infections measure, total nursing hours per resident day measures, discharge to community – post acute care measure, and replacement of the SNF 30-day All-Cause Readmission Measure with the SNF Within-Stay Potentially Preventable Readmission Measure beginning in fiscal year 2028, may reduce the compensation our independent operating subsidiaries may receive under the SNF VBP program. Under the fiscal year 2025 SNF PPS proposed rule issued on March 28, 2024, CMS proposes to increase Medicare Part A reimbursement for SNFs by 4.1% in fiscal year 2025. If finalized, the rate increase will take effect on October 1, 2024. There can be no assurance that the proposed rate increase will be finalized as proposed.

CMS implemented a final rule in October 2019 implementing a new case-mix classification system, PDPM (patient-driven payment model), that focuses on the clinical condition of the patient. CMS may make future adjustments to reimbursement levels and underlying reimbursement formulae as it continues to monitor the impact of PDPM on patient outcomes and budget neutrality. The Biden Administration continues to study the nursing home industry and to call for HHS to issue proposed rules based on those studies.

Loss of Medicare reimbursement, or a delay or default by the government in making Medicare payments, would also have a material adverse effect on our revenue. Non-compliance with Medicare regulations exist, and any penalty, suspension, termination, or other sanction under any state's Medicaid program could lead to reciprocal and commensurate penalties being imposed under the Medicare program, up to termination or rescission of our Medicare participation and payor agreements as noted above.

A significant portion of reimbursement for skilled nursing services comes from Medicaid. Medicaid is a state-administered program financed by both state funds and matching federal funds. Medicaid spending has increased rapidly in recent years, becoming a significant component of state budgets, which has led both the federal government and many states to institute measures aimed at controlling the growth of Medicaid spending, and in some instances reducing aggregate Medicaid spending. Since a significant majority of our total revenue is generated from our skilled nursing operating subsidiaries in California, any budget reductions or delays in California could adversely affect our net patient service revenue and profitability. Despite present state budget surpluses in many of the states in which we operate, we can expect continuing cost containment pressures on Medicaid outlays for SNFs, and any such decline could have an adverse effect on our business financial condition and results of operations.

The Medicaid program and its reimbursement rates and rules are subject to frequent change at both the federal and state level, including through changes in laws, regulations, rate adjustments (including retroactive adjustments), administrative or executive orders and government funding restrictions, all of which may materially adversely affect the rates at which our services are reimbursed by state Medicaid plans or the amount of expense we incur.

To generate funds to pay for the increasing costs of the Medicaid program, many states utilize financial arrangements commonly referred to as provider taxes. Under provider tax arrangements, states collect taxes from healthcare providers and then use the revenue to pay the providers as a Medicaid expenditure, which allows the states to then claim additional federal matching funds on the additional reimbursements. Current federal law provides for a cap on the maximum allowable provider tax as a percentage of the providers' net patient revenue. There can be no assurance that federal law will continue to provide matching federal funds on state Medicaid expenditures funded through provider taxes, or that the current caps on provider taxes will not be reduced. Any discontinuance or reduction in federal matching of provider tax-related Medicaid expenditures could have a significant and adverse effect on states' Medicaid expenditures, and as a result could have a material adverse effect on our business, financial condition or results of operations.

The CAA 2023 provided for the wind-down and termination of increased Federal Medicaid Assistance Percentage (FMAP) payments under the Families First Coronavirus Relief Act (FFCRA), and also provided for the disenrollment of Medicaid beneficiaries who have participated in the program since early in the COVID-19 pandemic. CMS's increased FMAP payments declined from 5% in the second quarter of 2023 to 2.5% in the third quarter, and to 1.5% in the fourth quarter. The increased FMAP payments will be discontinued in 2024. The CAA 2023 granted CMS the authority to impose fines, penalties, and other sanctions upon states that did not comply with this law's requirements for the unwinding of increased FMAP payments. As a result, these reductions may impose further burdens on the Medicaid programs in states where we operate in the form of fines and penalties, which may result in reduced payments.

Beginning on April 1, 2023, states were allowed to begin disenrolling Medicaid beneficiaries. CMS guidance allowing for a return to Medicaid's historical renewal, enrollment, and eligibility determination practices permits states up to 14 months to initiate and process traditional Medicaid renewals. The CAA 2023's allowance of disenrollment and return to traditional Medicaid renewal processes, which includes pre-COVID eligibility determinations, may result in a reduction of the number of Medicaid beneficiaries and may result in a reduction of our current and potential patient population. As a result, there may be fewer current or potential patients able to pay for our operating subsidiaries' services, and increased competition for Medicaid beneficiaries able to provide reimbursement for those services.

CMS is monitoring the disenrollment process in an effort to protect eligible beneficiaries from inappropriate coverage losses during the return to Medicaid's historical renewal, enrollment and eligibility determination practices, and has required certain states to pause disenrollments unless they could ensure all eligible people are not improperly disenrolled. CMS is continuing to monitor states' compliance with federal requirements and is working with the affected states to address issues related to renewal requirements. States risk losing federal Medicaid matching funds for non-compliance with CMS's instructions, which could result in reduced Medicaid funds available for timely reimbursement of our operating subsidiaries for their operations. Certain estimates suggest that roughly 17 million people may lose Medicaid coverage during the redetermination process through their scheduled completion in May of 2024.

Effective January 16, 2024, with disclosure requirements taking effect once CMS develops and publishes the required forms, Medicare and Medicaid nursing facilities are required to disclose new data about the facility's ownership, management and the owners of real property lessors upon initial enrollment and revalidation. In addition, the nursing facilities are required to timely report any changes, including in connection with any change of ownership. CMS defines the new disclosable parties to include members of the facility's governing body, persons or entities who are an officer, director, member, partner, trustee or managing employee of the facility, persons or entities that exercise operational, financial or managerial control, lease or sublease real property to the facility, own a direct or indirect interest of five percent or greater of the real property or provide management or administrative services to the facility. Additionally, for any disclosable party that is a corporation, the disclosure must include the stockholders who have a five percent or greater direct or indirect ownership interest. Additionally, facilities will be required to disclose whether any entity on the form is a private equity company or real estate investment trust (REIT). CMS will make the information that is provided publicly available. This new disclosure requirement involves reporting extensive information and may complicate our efforts to comply with Medicare and Medicaid requirements. Failure to comply with the new disclosure requirements could affect our participation in Medicare and state Medicaid programs and adversely impact our business and financial condition.

Medicaid is an important source of funding for our independent operating subsidiaries. We may be adversely affected by the disenrollment of Medicaid beneficiaries, which may lead to a reduction in reimbursement that may adversely impact our revenue and profit. The temporary restoration of Medicaid benefits in states where redetermination has been paused can help relieve some of these economic concerns. The disruption caused by the temporary pauses and restoration of Medicaid coverage for beneficiaries can also create operational challenges for our independent operating subsidiaries, including adverse effects on cash flow, available funds to pay wages for staffing, and overall financial stability. The ultimate impact of Medicaid disenrollment on our finances and operations will depend on individual states' specific circumstances and actions. See the section titled "Business—Regulatory Matters."

Reforms to the U.S. healthcare system, including new regulations under the Affordable Care Act (ACA), continue to impose new requirements upon us that could materially impact our business.

The ACA has resulted in significant changes to our operations and reimbursement models for services we provide. CMS continues to issue rules to implement the ACA, including most recently, new rules regarding the implementation of the anti-discrimination provisions and new rules requiring the disclosure of SNF ownership, organization, management and the identity of the real property owners from which the SNF leases or subleases its operating space. With the passage of the Inflation Reduction Act of 2022 (IRA) in August of 2022, Congress continues to expand and supplement the ACA, including through the continuation of federally funded insurance premium subsidies. This modification of the ACA by the IRA indicates that Congress may continue to change and expand the ACA in the future.

The efficacy of the ACA is the subject of much debate among members of Congress and the public and it has been the subject of extensive litigation before numerous courts, including the United States Supreme Court, with varying outcomes - some expanding and others limiting the ACA. In the event that the ACA is repealed or any elements of the ACA that are beneficial to our business are materially amended or changed, such as provisions regarding the health insurance industry, reimbursement and insurance coverage by payers, our business, operating results and financial condition could be harmed. Thus, the future impact of the ACA on our business is difficult to predict and its continued uncertain future may negatively impact our business. However, any material changes to the ACA or its implementing regulations may negatively impact our operations.

While it is not possible to predict whether and when any such changes will occur, specific proposals discussed during and after the election, including a repeal or material amendment of the ACA, could harm our business, operating results and financial condition. In addition, even if the ACA is not amended or repealed, the President and the executive branch of the federal government, as well as CMS and HHS have a significant impact on the implementation of the provisions of the ACA, and a new administration could make changes impacting the implementation and enforcement of the ACA, which could harm our business, operating results and financial condition. We have already seen this with regulatory activity promulgating rules regarding anti-discrimination under Section 1557 of the ACA and the disclosure of SNF ownership and service providers under Section 6101 of the ACA. If we are slow or unable to adapt to any such changes, our business, operating results and financial condition could be adversely affected.

Since the ACA, there have been healthcare reform proposals and we expect that other healthcare reform legislative and regulatory changes will be proposed and enacted, including reductions in payments to SNFs and impose the staffing and reporting requirements. We cannot predict what effect future reforms to the U.S. healthcare system will have on our business, including the demand for our services, the cost of our operations, or the amount of reimbursement available for those services. However, it is possible these new laws may lower reimbursement or increase the cost of doing business and adversely affect our business. See the section titled "Business—Regulatory Matters."

We are subject to various government and third-party payor reviews, audits and investigations that could adversely affect our business, including an obligation to refund amounts previously paid to us, potential criminal charges, the imposition of fines, and/or the loss of our right to participate in Medicare and Medicaid programs or other third-party payor programs.

Regulators and third-party payors are increasing scrutiny of claims, which may require additional resources to response to audits and may cause additional delays or denials in receiving payment. As a result of our participation in the Medicaid and Medicare programs, we and other program participants are subject to various governmental reviews, audits and investigations to verify compliance with the rules associated with these programs and related applicable laws and regulations, including claims for payments submitted to those programs, which are subject to reviews by Recovery Audit Contractors, Zone Program Integrity Contractors, Program Safeguard Contractors, Unified Program Integrity Contractors, Supplemental Medical Review Contractors and Medicaid Integrity Contractors programs (collectively referred to as Reviews). In these Reviews, third-party firms engaged by CMS conduct extensive analysis of claims data and medical and other records to identify potential improper payments under the Federal and State programs. Although we have always been subject to post-payment audits and Reviews, more intensive "probe reviews" performed by Medicare administrative contractors in recent years appear to be a regular procedure with our fiscal intermediaries. Managed care and other third-party payors also often reserve the right to conduct audits and do on a regular basis.

We believe that billing and reimbursement errors and disagreements are common in our industry, and thus we are regularly engaged in reviews, audits and appeals of our claims for reimbursement due to the subjectivities inherent in the process related to patient diagnosis and care, record keeping, claims processing and other aspects of the patient service and reimbursement processes, and the errors and disagreements those subjectivities can produce. An adverse review, audit or investigation could result in:

- an obligation to refund amounts previously paid to us pursuant to the Medicare or Medicaid programs or from private payors, in amounts that could be material to our business;
- state or federal agencies imposing fines, penalties or other sanctions on us;
- temporary or permanent loss of our right to participate in the Medicare or Medicaid programs or one or more private payor networks or admission bans or moratoriums;
- protracted regulatory oversight, including education and sampling of claims, extended pre-payment review, referral of the operating business to recovery audit or integrity contractors, or extrapolation of an error rate to other reimbursement made outside of specifically reviewed claims;
- an increase in private litigation against us; and

- damage to our reputation in the geographies served by our independent operating subsidiaries.

Both federal and state government continue to pursue intensive enforcement polices resulting in a significant number of investigations, audits, citations or regulatory deficiencies and other regulatory actions. Federal and state agencies have heightened and coordinated civil and criminal enforcement efforts as part of numerous ongoing audits, inquiries and investigations of healthcare companies and, in particular, SNFs. The focus of these investigations includes, among other things, billing and cost reporting practices; quality of care provided; and the medical necessity of rendered services. CMS announced a new nationwide audit, the "SNF 5-Claim Probe & Educate Review," in which the Medicare Administrative Contractors will review five claims from each of the facilities to check for compliance with PDPM billings, which could result in individual claim payment denials if errors are identified. All facilities that are not undergoing Targeted Probe and Educate (TPE) reviews, or have not recently passed a TPE review, will be subject to the nationwide audit.

If we fail to comply with these extensive laws, regulations and prohibitions to our business, we and certain officers could become subject to demands for refund of alleged overpayments, civil and criminal penalties, termination, exclusion or payment suspensions from the Medicare and Medicaid program, loss of Medicare or Medicaid certification, bans on Medicare and Medicaid payments for new admissions, admission moratoriums. We may also become subject to corporate integrity agreements or extensive monitoring by regulatory agencies. We could be forced to expend considerable resources responding to investigations, audits and other enforcement actions diverting material time, resources and attention away from our management team and our staff, and could have a materially detrimental impact on our results of operations during and after any such investigation or proceedings, regardless of whether we prevail on the underlying claim.

We are subject to extensive and complex laws and government regulations. If we are not operating in compliance with these laws and regulations or if these laws and regulations change, we could be required to make significant expenditures or change our operations in order to bring our facilities and operations into compliance.

The laws and regulations governing our operations, along with the terms of participation in various government programs, regulate how we conduct our business, the services we offer, the manner in which we provide and bill for services and collect reimbursement from governmental programs and private payors, and our interactions with patients, healthcare providers and referral sources, our marketing activities, and other aspects of our operations. These laws and regulations are subject to frequent change. We, along with other companies in the healthcare industry, are required to comply with extensive and complex laws and regulations at the federal, state and local government levels. Restrictions under applicable federal and state laws and regulations that may affect our ability to operate include the following:

- the federal Anti-Kickback Statute (AKS) that prohibits the knowing and willful offer, payment, solicitation or receipt of any bribe, kickback, rebate or other remuneration for referring an individual, in return for ordering, leasing, purchasing or recommending or arranging for or to induce the referral of an individual or the ordering, purchasing or leasing of items or services covered, in whole or in part, by any federal healthcare program, such as Medicare and Medicaid. "Remuneration" includes the transfer of anything of value, in cash or in kind and directly or indirectly. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it to have committed a violation;

- the federal physician self-referral law (Stark Law), that, subject to limited exceptions, prohibits physicians, which includes a doctor of medicine, from referring Medicare or Medicaid patients to an entity for the provision of certain designated health services if the physician or a member of such physician's immediate family has a direct or indirect financial relationship (including an ownership interest or a compensation arrangement) with the entity, and prohibit the entity from billing Medicare or Medicaid for such designated health services. Unlike the AKS, the Stark Law is violated if the financial arrangement does not meet an applicable exception, regardless of any intent by the parties to induce or reward referrals or the reasons for the financial relationship and the referral;

- the federal False Claims Act (FCA), that imposes civil and criminal liability on individuals or entities that knowingly submit false or fraudulent claims for payment to the government or knowingly making, or causing to be made, a false statement in order to have a false claim paid. There are many potential bases for liability under the FCA. The government has used the FCA to prosecute Medicare and other government healthcare program fraud such as coding errors, billing for services not provided, and providing care that is not medically necessary or that is substandard in quality. In addition, the government may assert that a claim including items or services resulting from a violation of the federal AKS or Stark Law constitutes a false or fraudulent claim for purposes of the FCA. Actions under the FCA may be brought by the Attorney General, the U.S. Department of Justice (DOJ), the United States Attorney Offices, or as a qui tam action by a private individual in the name of the government. These private parties, often referred to as relators or whistleblowers, are entitled to share in any amounts recovered by the government through trial or settlement, and these qui tam cases are sealed by the court at the time of filing;

- the criminal healthcare fraud provisions of HIPAA and related rules that prohibit knowingly and willfully executing a scheme or artifice to defraud any healthcare benefit program or falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the AKS, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it to have committed a violation; and

- similar state law provisions pertaining to anti-kickback, self-referral and false claims issues, some of which may apply to items or services reimbursed by any payor, including patients and commercial insurers;

- state corporate practice and fee-splitting laws that prohibit general business corporations such as us, from practicing medicine or other healthcare professionals, controlling licensed healthcare professionals' medical decisions or engaging in some practices, such as spitting fees with licensed healthcare professionals;

- laws that regulate debt collection practices;

- federal and state antitrust laws that prohibit or limit exclusive contracting relationships with healthcare providers, prohibit or limit the sharing of cost and pricing data, prohibit competitors from taking collective action to set commercial payer reimbursement rates, and determine when a joint venture or healthcare network is sufficiently integrated, by either sharing substantial financial risk or substantial clinical integration, to jointly contract with commercial payers;

- laws that impose criminal penalties on healthcare providers who fail to disclose or refund known overpayments;

- laws that require maintenance of licensure, certification and accreditation;

- laws relating to adequacy and quality of healthcare services, quality and maintenance of medical equipment and facilities;

- laws that impose reporting, transparency and disclosure requirements of the ownership, management. managing employees and the owners of real property lessors or sublessors, including any private equity companies or REITs;

- laws relating to staffing levels and qualifications and vaccination (including boosting) of healthcare and support personnel;

- confidentiality, maintenance and security issues associated with medical records and claims processing; and

- constraints on protective contractual provisions with patients and third-party payors.

These laws and regulations are complex, and we do not always have the benefit of significant regulatory or judicial interpretation of these laws and regulations. We are unable to predict the future course of federal, state and local regulation or legislation, including as it pertains to Medicare, Medicaid, or fraud and abuse laws, and how they are enforced. Additionally, in the future, different interpretations or enforcement of these laws and regulations could subject our current or past practices to allegations of impropriety or illegality or could require us to make changes in our facilities, equipment, personnel, services, operations, capital expenditure programs and operating expenses. Our efforts to comply with these laws and regulations could be costly and result in diversion of management time and effort and may still not guarantee compliance. Regulators continue to increase their scrutiny of compliance with these obligations, which may require us to further revise or expand our compliance program. While we do not believe we are in violation of these laws, we cannot assure you that governmental officials charged with the responsibility for enforcing these prohibitions will not assert that we are violating the provisions of such laws and regulations.

If we fail to comply with these applicable laws and regulations, or their interpretations as determined by courts or enforced by regulators, we could suffer civil or criminal penalties, sanctions, remedial measures and other detrimental consequences, including denial of reimbursement, imposition of fines, temporary suspension of admission of new patients, suspension or decertification from the Medicaid and Medicare programs, restrictions on our ability to acquire new facilities or expand or operate existing facilities, the loss of our licenses to operate and the loss of our ability to participate in federal and state reimbursement programs. In addition, if we fail to comply, even inadvertently, with any of these requirements, we could be required to alter our operations and enter into a corporate integrity agreement, deferred prosecution or similar agreements with state or federal government agencies. Furthermore, should we lose licenses or certifications for a number of our facilities or other businesses as a result of regulatory action or legal proceedings, we could be deemed to be in default under some of our agreements, including agreements governing outstanding indebtedness. See the section titled “Business—Regulatory Matters.”

We face and are currently subject to surveys, investigations, and other proceedings relating to our licenses and certification and potential sanctions and remedies based upon alleged regulatory deficiencies could negatively affect our financial condition and results of operations. Public and government calls for increased survey and enforcement efforts toward SNFs, and potential rulemaking that may result in enhanced enforcement and penalties, could result in increased scrutiny by state and federal survey agencies.

Our facilities must comply with required conditions of participation in the Medicare program and state Medicaid programs and state licensure requirements. We are subject to surveys and investigations from federal and state agencies as well as accreditation organizations. We receive deficiency reports from state and federal regulatory bodies resulting from such inspections or surveys. If we fail to meet the conditions of participation or licensure standards, we may receive a notice of deficiency from the applicable surveyor. Although most inspection deficiencies are resolved through an agreed-upon plan of corrective action, the reviewing agency typically has the authority to take further action against a licensed or certified facility.

We have received notices of potential sanctions and remedies based upon alleged regulatory deficiencies from time to time, and such sanctions have been imposed on some of our facilities. No material remedial actions have been taken against us to date, however, we have had facilities placed on special focus facility status in the past, continue to have some facilities on this status currently and other operating subsidiaries may be identified for such status in the future. In particular, as our strategy includes the targeted acquisition of underperforming SNFs, we from time to time acquire facilities with special focus facility status. As of December 31, 2023, we had two facilities with special focus facility status. One such facility was acquired with this status and one was placed on such status following our acquisition of the facility. These facilities received such status as a result of accumulating an above average number survey deficiency points over the course of multiple surveys, some of which occurred prior to their acquisition. Survey deficiency points are issued by the government survey agency when inspecting a nursing facility to reflect the deficiencies that the facility is cited for in the survey, which include, but are not limited to, quality of life and care, freedom from abuse, neglect and exploitation deficiencies. The two facilities with special focus facility status accumulated 630 and 188 survey deficiency points, respectively, in 2023.

If a facility then fails to institute an acceptable plan of correction to remediate the deficiency within the correction period provided by the state surveyor, that facility could be subject to remedial action. These actions include the imposition of fines, imposition of a license to a conditional or provisional status, admission holds, suspension or revocation of a license, payment suspension, loss of certification as a provider under state or federal healthcare programs, or imposition of other sanctions, including civil monetary penalties and criminal penalties. Termination of one or more of our facilities from the Medicare or state Medicaid programs for failure to satisfy conditions of participation, or the imposition of alternative sanctions, could disrupt operations, require significant attention by management or have a material adverse effect on our business and reputation and consolidated financial condition, results of operations and cash flows.

From time to time, we have opted to voluntarily stop accepting new patients pending completion of a new state survey, in order to avoid possible denial of payment for new admissions during the deficiency cure period, or simply to avoid straining staff and other resources while retraining staff, upgrading operating systems or making other operational improvements. If we elect to voluntary close any operations in the future or to opt to stop accepting new patients pending completion of a state or federal survey, it could negatively impact our financial condition and results of operation.

Furthermore, in some states, citation of one affiliated facility could negatively impact other facilities in the same state. Revocation of a license at a given facility could therefore impair our ability to obtain new licenses or to renew, or maintain, existing licenses at other facilities, which may also trigger defaults or cross-defaults under our leases and our credit arrangements, or adversely affect our ability to operate or obtain financing in the future. CMS's rules requiring disclosure of ownership, management and the owners of real property lessors or sublessors, heighten this risk. Our failure to comply with applicable legal and regulatory requirements in any single facility could negatively impact our financial condition and results of operations.

As CMS turns its attention to enhancing enforcement activities towards SNFs, state survey agencies will have more accountability for their survey and enforcement efforts. In addition, the Biden Administration has called for HHS and CMS to increase the level of scrutiny of SNF facilities and requested those agencies to adopt rules that would impose greater penalties upon non-compliant SNF operators. The Biden Administration's fact sheet regarding enhanced penalties against special focus facilities (SFFs) represents further federal calls for oversight and penalties for low-ranked and underperforming SNFs. This fact sheet precedes greater focus by CMS in obtaining oversight over SFFs, and continuing that oversight even after those SFFs improve, and subjecting them to more exacting and routine oversight. The likely result may be more frequent surveys of our facilities, with more substantial penalties, fines and consequences if they do not perform well. For low-performing facilities in the SFF program, the standards for successfully emerging from that program and not being subject to ongoing and enhanced government oversight will be higher and measured over a longer period of time, prolonging the risks of monetary penalties, fines and potential suspension or exclusion from the Medicare and Medicaid programs. Additionally, CMS recently updated the survey resources that CMS and state surveyors use in evaluating our SNFs' compliance with federal Requirements for Participation. The application of CMS's new guidance could result in more aggressive and stringent surveys, and potential fines, penalties, sanctions, or administrative actions taken against our independent operating subsidiaries.

Anticipated federal minimum staffing mandates may adversely affect our labor costs, ability to maintain desired levels of patient or resident capacity, and profitability.

On September 1, 2023, the Biden Administration proposed a minimum staffing standard through CMS. While the full effect of federal staff level minimums, if they are ultimately implemented in the proposed or another form, is not fully known at this time, we expect that such a mandate would have adverse financial consequences upon our business. Depending on the requirements of such a mandate, we may be required to hire substantially more staff members, particularly nurse practitioners, registered nurses, licensed practical nurses and nursing aides than currently staffed. Additionally, a federal mandate of this nature would place similar pressure on our competitors and result in sudden, expanded demand for nursing staff across the SNF industry. This sudden demand across the SNF industry may exacerbate an already difficult labor market, with demand for nursing staff far outstripping the supply of qualified individuals, and the compensation requirements of both current and prospective staff increasing markedly to increase the likelihood of recruiting and retaining skilled caregivers. Changes in Medicare reimbursements for physician and non-physician services could impact reimbursement for medical professionals.

Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) revised the payment system for physician and non-physician services. The changes to the therapy caps imposed on Medicare Part B outpatient therapy from this law have been changed by the Bipartisan Budget Act of 2018 (BBA), and are subject to future budgetary changes through rulemaking and legislation, resulting in ongoing uncertainty regarding payment for these Medicare Part B services. Under the proposed Current Year (CY) 2024 Physician Fee Schedule (PFS) Final Rule, reductions in payment and conditions imposed in exchange for higher payments may impose operational requirements and working conditions that further detract from and reduce our financial performance. Similarly, new final rules concerning the Programs of All-Inclusive Care for the Elderly (PACE) program and the information it will collect may adversely affect the risk-adjusted reimbursement.

We may be subject to increased investigation and enforcement activities related to the Health Insurance Portability and Accountability Act of 1996 (HIPAA) violations.

HIPAA, as amended by the Health Information Technology for Economic and Clinical Health (HITECH) Act, requires us to adopt and maintain business procedures and systems designed to protect the privacy, security and integrity of patients' individual health information, in addition to state laws governing the privacy of patient information. We must comply with these state privacy laws to the extent that they are more protective of healthcare information or provide additional protections not afforded by HIPAA. HIPAA and other comparable state and federal laws and regulations change periodically. If we fail to comply with these state and federal laws and regulations, we could be subject to criminal penalties, civil sanctions, litigation, and be forced to modify our policies and procedures, in addition to undertaking costly breach notification and remediation efforts, as well as sustaining reputational harm.

In addition to breaches of protected patient information, under HIPAA and other federal and state laws and regulations, healthcare entities are also required to afford patients with certain rights of access to their health information and to promote sharing of patient data between and among healthcare providers involved in the same patient's course of care. Recently, the Office for Civil Rights, the agency responsible for HIPAA enforcement, has targeted investigative and enforcement efforts on violations of patients' rights of access, imposing significant fines for violations largely initiated from patient complaints. If we fail to comply with our obligations under HIPAA or other comparable federal or state laws and regulations, we could face significant fines and penalties.

Annual caps and other cost-reductions for outpatient therapy services may reduce our future revenue and profitability or cause us to incur losses.

Several government actions have been taken in recent years to try and contain the costs of rehabilitation therapy services provided under Medicare Part B, including the Multiple Procedure Payment Reduction (MPPR), institution of annual caps, mandatory medical reviews for annual claims beyond a certain monetary threshold, and a reduction in reimbursement rates for therapy assistant claim modifiers. Of specific concern has been CMS's efforts to lower Medicare Part B reimbursement rates for outpatient therapy services in 2021, 2022, and 2023. Such cost-containment measures and ongoing payment changes could have an adverse effect on our revenue. The Office of the Inspector General (OIG) or other regulatory authorities may choose to more closely scrutinize billing practices in areas where we operate or propose to expand, which could result in an increase in regulatory monitoring and oversight, decreased reimbursement rates, or otherwise adversely affect our business, financial condition and results of operations.

The OIG regularly conducts investigations regarding certain payment or compliance issues within the healthcare industry. The OIG identified SNF compliance as an issue of concern in its 2021 and 2022 semi-annual reports to Congress, and its January 2023 study regarding SNF emergency preparedness identified the need for further oversight and addition of SNF emergency readiness to the OIG's 2023 work plan. Nursing homes were also a topic of discussion in the OIG's 2023 semiannual report to Congress, which emphasized the continued protection and oversight of care that nursing facilities provide to residents. Among other things, the OIG recommended a reduction in the use of psychotropic drugs in nursing homes and urged CMS to evaluate the appropriateness of psychotropic drug use among residents, including the use of data to identify nursing homes with higher rates of use for potential further scrutiny and action. Based on this information, SNFs in particular are potential targets for more robust scrutiny and examination by regulators. Recent publications and statements by the Biden Administration have also called for greater scrutiny of SNF facilities.

Our business model, like those of some other for-profit operators, is based in part on attracting higher-acuity patients whom we believe provide us more opportunity to be profitable due to the higher level of services they need and accordingly higher reimbursement rates, and over time our overall patient mix has consistently shifted to higher-acuity and higher-resource utilization patients in most facilities we operate. These efforts may place us under greater scrutiny with the OIG, CMS, our fiscal intermediaries, recovery audit contractors and others. See the section titled “Business—Regulatory Matters.”

Newly enacted and proposed legislation in the states where our independently operating entities are located may affect our operations in terms of individual litigation and the broader regulatory environment.

For example, a bill in the State of California, where a significant majority of our facilities are located, was recently signed into law which increases the cap of non-economic damages awarded to plaintiffs who are successful in medical malpractice litigation. The cap increased from $250,000 to $350,000 beginning on January 1, 2023, then increases over the following 10 years until the cap reaches a maximum of $750,000, with further adjustments for inflation. In wrongful death cases, the cap increased from $250,000 to $500,000 on January 1, 2023, with incremental increases over the following 10 years until the cap reaches a maximum of $1,000,000, with adjustments for inflation. Due to California’s influence on other states, other jurisdictions where we operate may enact similar laws. Similar to the potential incentive of increased damages caps, the Supreme Court’s recent decision in Health and Hospital Corporation of Marion City v. Talevskimay increase public interest in potential claims against SNFs, particularly pertaining to specific civil rights claims against governmental actors rather than general liability claims against privately owned SNFs such as those operated by our independent operating subsidiaries.

As another example, California’s adoption of the Skilled Nursing Facility Ownership and Management Reform Act of 2022 imposes new requirements for obtaining licenses to operate SNFs. These new requirements may delay or limit the ability to obtain new SNF licenses within that state, whether through acquisition of existing facilities or opening a new facility. This new law’s obligations may increase the costs of obtaining licensure, make applications more time-consuming and complex, and may result in civil penalties and other sanctions against our facilities in the event they are not compliant with these new licensure application requirements. As a result, this new law may delay or impede growth within California. As with the bill that increases the cap of non-economic damages for medical malpractice litigation, California’s influence on other states may result in this legislation becoming a model for other states and having similar, potentially adverse effects within those jurisdictions as well.

More recently, California’s legislature has proposed, including but not limited to, proposed or potential bills related to increasing the minimum wage for workers, spending requirements and increased disclosure. Bills would create new and costly obligations on our independent operating subsidiaries if they became law and if enacted, bills would adversely affect our business, operations, and profitability. In October 2023, California adopted legislation that requires, if and when a minimum spending bill is later enacted with respect to skilled nursing facilities, workers at skilled nursing facilities, as well as most other healthcare facilities throughout the state, be paid a minimum wage that begins at $21 per hour beginning June 1, 2024, increasing to $23 per hour beginning June 1, 2026, and then increasing to $25 per hour beginning June 1, 2028. While California’s state Medicaid reimbursement program will, barring intervening changes to the program, reimburse providers for some of the increased operating costs, there can be no assurance that they will be reimbursed for the full increase, or that they will be reimbursed in a timely manner.

As another example, Texas passed a bill which partially restored Medicaid state relief funding for SNFs through August 31, 2023; it also considered regulation, which contained direct care spending requirements and ownership. While this bill provides financial relief to our independent operating subsidiaries in Texas, other proposed bills may impose the same regulatory requirements and limitations inherent in both the proposed legislation in other states and the federal rule requiring disclosure of such information in applications and change-of-ownership disclosures, which may adversely affect our business, operations, and profitability. See the section titled "Business—Regulatory Matters."

Changes to federal and state employment-related laws and regulations could increase our cost of doing business.

Our operating subsidiaries are subject to a variety of federal and state employment-related laws and regulations, including, but not limited to, the U.S. Fair Labor Standards Act that governs such matters as minimum wages, overtime and other working conditions, the Americans with Disabilities Act (ADA) and similar state laws that provide civil rights protections to individuals with disabilities in the context of employment, public accommodations and other areas, the National Labor Relations Act, regulations of the U.S. Equal Employment Opportunity Commission (EEOC), regulations of the Office of Civil Rights, regulations of state attorney generals, family leave mandates and a variety of similar laws enacted by the federal and state governments that govern these and other employment law matters.

On June 5, 2023, CMS published the Omnibus Final Rule, withdrawing the COVID-19 vaccination IFR 60 days after the rule's publication. At present, there is no nationally significant litigation concerning such mandates. The effects of the COVID-19 vaccination IFR's withdrawal on our operations and the labor pool for nursing and administrative staff is unknown, but may have an impact on our business, operations, and profitability.

Furthermore, the Biden Administration has requested HHS and CMS study and issue proposed rules regarding care-based careers, including improving access to training, increasing the attractiveness of compensation in care-based positions, and improving the retention and career progression of care workers. The Biden Administration has sought proposed rules that tie some of these issues, such as wages and retention, to Medicare reimbursement for facilities. Other pending legislation, such as the HCBS Access Act, indicate a legislative priority of providing funding for care-based careers that may affect our pool of desired workers. Rising operating costs due to labor shortages, greater compensation and incentives required to attract and retain qualified personnel and higher-than-usual inflation on items including energy, utilities, food and other goods used in our facilities and the costs for transporting these items could increase our cost and decrease our profits.

The compliance costs associated with these laws and evolving regulations could be substantial. By way of example, all of our facilities are required to comply with the ADA, which has separate compliance requirements for "public accommodations" and "commercial properties," but generally requires that buildings be made accessible to people with disabilities. Compliance with ADA requirements could require removal of access barriers and non-compliance could result in imposition of government fines or an award of damages to private litigants. Further legislation may impose additional burdens or restrictions with respect to access by disabled persons. In addition, federal proposals to introduce a system of mandated health insurance and flexible work time and other similar initiatives could, if implemented, adversely affect our operations. We also may be subject to employee-related claims such as wrongful discharge, discrimination or violation of equal employment law. While we are insured for these types of claims, we could be subject to damages that are not covered by our insurance policies or that exceed our insurance limits, and we may be required to pay such damages directly, which would negatively impact our cash flow from operations.

In addition, there currently is pending legislation in California to raise the minimum wage to $25 per hour for all healthcare workers and require SNFs to maintain a minimum spend of 85% of revenue on direct care costs. As of December 31, 2023, approximately 63% of our skilled nursing beds are located in California. Although there currently is no similar proposed legislation in the other states in which we operate, if we expand to other states, we may be subject to similar legislation.

Required regulatory approvals could delay or prohibit transfers of our healthcare operations, which could result in periods in which we are unable to receive reimbursement for such properties.

The operations of our operating subsidiaries must be licensed under applicable state law and, depending upon the type of operation, certified or approved as providers under the Medicare and/or Medicaid programs. In the process of acquiring or transferring operating assets, our operations must receive change of ownership approvals from state certificate of need boards, licensing agencies, Medicare and Medicaid as well as third-party payors. Rules regarding the disclosure of SNF facility ownership may increase the scrutiny placed on companies that operate, directly or indirectly, multiple SNFs, and may subject our licensing and approval process to additional scrutiny or delays.

In recent years, states including California, Connecticut, Illinois, Massachusetts, Minnesota, Nevada, New York, Oregon, Rhode Island and Washington have become increasingly interested in the review of healthcare transactions for impacts on costs, access to care and quality, and certain states are particularly focused on transactions involving private equity investments. Transactions involving single multi-state organizations with hundreds of healthcare providers and facilities across the country are and may be in the future subject to state reviews because one or more providers or facilities derive revenue from patients within the state. Certain state review processes can involve lengthy review and approval periods, require enhanced disclosure obligations and impact analysis, public notices and hearings, and approval conditions and post-closing oversight, including ongoing reporting obligations. Overall, these state laws regulating costs, access to care and quality, in effect and those that may go into effect in the future, may delay or burden our transactions, including future add-on acquisitions, increase costs associated with expansion, require intrusive disclosures, and impose onerous, ongoing reporting obligations.

If there are any delays in receiving regulatory approvals from the applicable federal, state or local government agencies, or the inability to receive such approvals, such delays or denials could result in delayed or lost reimbursement related to periods of service prior to the receipt of such approvals, which could negatively impact our cash position.

Compliance with federal and state fair housing, fire, safety and other regulations may require us to make unanticipated expenditures, which could be costly to us.

We must comply with the federal Fair Housing Act and similar state laws, which prohibit us from discriminating against individuals if it would cause such individuals to face barriers in gaining residency in any of our facilities. Additionally, the Fair Housing Act and other similar state laws require that we advertise our services in such a way that we promote diversity and not limit it. We may be required, among other things, to change our marketing techniques to comply with these requirements.

In addition, we are required to operate our facilities in compliance with applicable fire and safety regulations, building codes and other land use regulations and food licensing or certification requirements as they may be adopted by governmental agencies and bodies from time to time. Like other healthcare facilities, our affiliated SNFs are subject to periodic surveys or inspections by governmental authorities to assess and assure compliance with regulatory requirements. Surveys occur on a regular (often annual or biannual) schedule, and special surveys may result from a specific complaint filed by a patient, a family member or one of our competitors. We may be required to make substantial capital expenditures to comply with these requirements.

Our operations are subject to environmental and occupational health and safety regulations, which could subject us to fines, penalties and increased operational costs.

We are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations. Regulatory requirements faced by healthcare providers such as us include those relating to air emissions, wastewater discharges, air and water quality control, occupational health and safety (such as standards regarding blood-borne pathogens and ergonomics), management and disposal of low-level radioactive medical waste, biohazards and other wastes, management of explosive or combustible gases, such as oxygen, specific regulatory requirements applicable to asbestos, lead-based paints, polychlorinated biphenyls and mold, other occupational hazards associated with our workplaces, and providing notice to employees and members of the public about our use and storage of regulated or hazardous materials and wastes. Failure to comply with these requirements could subject us to fines, penalties and increased operational costs. Moreover, changes in existing requirements or more stringent enforcement of them, as well as discovery of currently unknown conditions at our owned or leased facilities, could result in additional cost and potential liabilities, including liability for conducting cleanup, and there can be no guarantee that such increased expenditures would not be significant.

Risks Related to This Offering and Ownership of Our Common Stock

The market price of our common stock may be volatile or may decline steeply or suddenly regardless of our operating performance, which could result in substantial losses for purchasers of our common stock in this offering, and we may not be able to meet investor or analyst expectations.

Following this offering, the market price of our common stock may be highly volatile and fluctuate or decline significantly in response to numerous factors, many of which are beyond our control, including:

- variations between our actual operating results, or those of companies that are perceived to be similar to us, and the expectations of securities analysts, investors and the financial community;
- any forward-looking financial or operating information we may provide to the public or securities analysts, any changes in this information or our failure to meet expectations based on this information;
- actions of securities analysts who initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our Company or our failure to meet these estimates or the expectations of investors;
- additional shares of our common stock being sold into the market by us or our existing stockholders, or the anticipation of such sales, including if existing stockholders sell shares into the market when applicable “lock-up” period ends;
- hedging activities by market participants;
- announcements by us or our competitors of significant features, technical innovations in facilities, acquisitions, strategic partnerships, joint ventures or capital commitments;
- changes in operating performance and stock market valuations of companies in our industry, including our competitors;
- changes in third-party payor reimbursement policies;
- an inability to obtain additional funding;
- general economic, political, industry and market conditions, including rising inflation, high interest rates, capital market disruptions, and price and volume fluctuations in the overall stock market;
- expiration of market stand-off or lock-up agreements;
- lawsuits threatened or filed against us;
- developments in new legislation and pending lawsuits or regulatory actions, including interim or final rulings by judicial or regulatory bodies; and
- other events or factors, including those resulting from political conditions, election cycles, pandemics, war or incidents of terrorism, or responses to these events, many of which are outside of our control.

In addition, extreme price and volume fluctuations in the stock markets have affected and continue to affect many healthcare companies’ stock prices. Stock prices often fluctuate in ways unrelated or disproportionate to the companies’ operating performance. In the past, stockholders have filed securities class action litigation following periods of market volatility. This risk is especially relevant for us because companies in the healthcare industry have experienced significant stock price volatility in recent years. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and seriously harm our business.

Moreover, because of these fluctuations, comparing our operating results on a period-to-period basis may not be meaningful. You should not rely on our past results as an indication of our future performance. This variability and unpredictability could also result in our failure to meet the expectations of industry or financial analysts or investors for any period. If our revenues or operating results fall below the expectations of analysts or investors or below any forecasts we may provide to the market, or if the forecasts we provide to the market are below the expectations of analysts or investors, the price of our common stock could decline substantially. Such a stock price decline could occur even when we have met any previously publicly stated revenue or earnings forecasts that we may provide.

An active trading market for our common stock may never develop or be sustained, and you may not be able to resell your shares at or above the initial public offering price.

Prior to this offering, there has been no public market for our common stock. Although we have applied to list our common stock on the New York Stock Exchange under the symbol "PACS," an active trading market for our common stock may never develop or be sustained following this offering. The initial public offering price for our common stock will be determined through negotiations between the underwriters and us, and may vary from the market price of our common stock following this offering. This initial public offering price may not be indicative of the market price of our common stock after this offering. We cannot assure you that the market price following this offering will equal or exceed the initial public offering price. In the absence of an active trading market for our common stock, you may not be able to sell your shares of our common stock when desired or at or above the initial public offering price. An inactive market may also impair our ability to raise capital by selling shares and may impair our ability to acquire other businesses or properties using our shares as consideration, which, in turn, could materially and adversely affect our business.

Our founders, Jason Murray and Mark Hancock, will continue to have substantial control over us and will hold a substantial portion of our outstanding common stock following this offering, and their interests may conflict, or appear to conflict, with our interests and the interests of other stockholders.

Following the completion of this offering, and without giving effect to any purchases that may be made otherwise in this offering, our founders, Jason Murray and Mark Hancock, will collectively beneficially own approximately 87.1% of the voting power of our common stock (or 85.2% if the underwriters exercise their option to purchase additional shares from the selling stockholders in full). In addition, pursuant to the terms of our Amended and Restated Charter and the Stockholders Agreement, we will agree to include in our slate of director nominees certain individuals designated by each of Messrs. Murray and Hancock. Mr. Murray will have the right, but not the obligation, to designate (i) up to two individuals for inclusion in our slate of director nominees if he beneficially owns at least 20% of the aggregate number of shares of common stock outstanding immediately following this offering or (ii) one individual for inclusion in our slate of director nominees if he beneficially owns less than 20% but at least 10% of the aggregate number of shares of common stock outstanding immediately following this offering. Mr. Hancock will have the right, but not the obligation, to designate (i) up to two individuals for inclusion in our slate of director nominees if he beneficially owns at least 20% of the aggregate number of shares of common stock outstanding immediately following this offering or (ii) one individual for inclusion in our slate of director nominees if he beneficially owns less than 20% but at least 10% of the aggregate number of shares of common stock outstanding immediately following this offering. Pursuant to the Stockholders Agreement, each of Messrs. Murray and Hancock will also agree to vote, or cause to vote, all of their outstanding shares of our common stock at any annual or special meeting of stockholders in which directors are elected, so as to cause the election of their respective designees, in each case, to the extent that each or any of Messrs. Murray and Hancock have exercised their right to designate individuals for nomination to the board of directors. See the section titled "Certain Relationships and Related Party Transactions—Stockholders Agreement."

Immediately following this offering, Messrs. Murray and Hancock will collectively have the right to designate four directors, which represents the entirety of our current four member board of directors. As a result, Messrs. Murray and Hancock will be able to determine or significantly influence our management, business plans, policies, and governance. This concentrated control of the composition of the board of directors and voting power of our common stock will limit or preclude your ability to influence corporate matters for the foreseeable future, including with respect to the composition of our board of directors and election of directors, amendments to our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that you may feel are in your best interests as one of our stockholders, and may deprive us of what we perceive as an attractive business combination opportunity. These limitations could deprive you of an opportunity to receive a premium for your shares of common stock as part of a sale of our company and ultimately might affect the market price of our common stock.

Even when the parties to our Stockholders Agreement cease to own shares of our stock representing a majority of the total voting power, for so long as such parties continue to own a significant percentage of our stock, they will still be able to significantly influence or effectively control the composition of our board of directors and the approval of actions requiring stockholder approval through their voting power. Accordingly, for such period of time, the parties to our Stockholders Agreement will continue to have significant influence with respect to our management, business plans, policies, and governance.

Future sales, or the perception of future sales, of shares of common stock by existing stockholders could cause the market price of our common stock to decline.

If our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market after the lock-up and legal restrictions on resale discussed in this prospectus lapse, the trading price of our common stock could decline.

Upon consummation of this offering, based on the number of shares of our common stock outstanding on December 31, 2023, we will have outstanding a total of 147,773,386 shares of our common stock. Of these shares, only the shares of common stock sold in this offering will be freely tradable, without restriction, in the public market immediately after this offering unless purchased by our affiliates. The remaining shares are held by Messrs. Murray and Hancock and are subject to lock-up and market stand-off agreements that restrict their ability to, among other things and subject to certain exceptions, sell or transfer their shares for a period of 180 days after the date of this prospectus. However, Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Truist Securities, Inc. may, in their sole discretion as representatives of the underwriters, waive the contractual lock-up before the lock-up agreements expire. In particular, the representatives have granted each of Messrs. Murray and Hancock an exception under their respective lock-up agreements that permits each of them to pledge a portion of their shares of our common stock to secure one or more margin loans that they may seek to obtain or enter into with one or more nationally or internationally recognized financial institutions, subject to certain exceptions and specified conditions, including that the aggregate number of shares of our common stock pledged as collateral pursuant to any such margin loans by Messrs. Murray and Hancock during the lock-up period shall not, for each of Messrs. Murray and Hancock, exceed 7.5% of the total number of shares of our common stock issued and outstanding on the closing date of this offering. As a result, the lock-up agreements permit an aggregate of up to 15% of the total number of shares of our common stock issued and outstanding on the closing date of this offering to be pledged as collateral pursuant to margin loans.

To the extent that Messrs. Murray and/or Hancock enter into any margin loan, they will retain their ability to vote the shares of our common stock pledged as collateral and any such pledged shares shall not impact their beneficial ownership for purposes of the rights under the Stockholders Agreement or otherwise in connection with matters to be voted on by stockholders. Pursuant to Rule 13d-3(d)(3) under the Exchange Act, a lender under any such margin loans would not beneficially own the pledged shares unless and until such lender has taken all formal steps necessary which are required to declare a default and determines that the power to vote or to direct the vote or to dispose or to direct the disposition of such pledged securities will be exercised. However, if either of Mr. Murray or Mr. Hancock were to default on their respective obligations under any such margin loan (including but not limited to the borrower’s inability to satisfy certain payments required under such margin loan) and fail to cure such default, the margin loan lender may be entitled to exercise its right under such margin loan to foreclose on the pledged interests and access and, subject to the recipients agreeing to be bound by lock-up agreements, sell the pledged shares of our common stock in order to satisfy the borrower’s obligations. Such an event could cause our stock price to decline and result in a change in beneficial ownership of our existing stockholders in the event that the margin loan lender determines to exercise voting or dispositive power over the shares.

After the lock-up agreements expire, all shares of our common stock outstanding as of December 31, 2023 (assuming the closing of this offering) will be eligible for sale in the public market, of which shares held by directors, executive officers and other affiliates will be subject to volume limitations under Rule 144 of the Securities Act (Rule 144), and various vesting agreements. Sales of a substantial number of such shares upon expiration of the lock-up and market stand-off agreements, the perception that such sales may occur or early release of these agreements, could cause our market price to fall or make it more difficult for you to sell your common stock at a time and price that you deem appropriate. Messrs. Murray and Hancock are additionally entitled to rights with respect to the registration of all of their shares following this offering and if they were to exercise those rights they may be able to sell their shares outside of the volume limitations imposed by Rule 144. See the section titled “Description of Capital Stock—Registration Rights” for a description of these registration rights.

We intend to file a registration statement on Form S-8 under the Securities Act to register the shares of our common stock issuable or reserved for issuance under our 2024 Plan and our ESPP. That registration statement will become automatically effective upon filing with the SEC, and shares covered by that registration statement will be eligible for sale in the public market, subject to Rule 144 limitations applicable to affiliates and the lock-up agreement described above. If these additional shares are sold, or if it is perceived that they will be sold in the public market, the trading price of our common stock could decline.

If you purchase our common stock in this offering, you will incur immediate and substantial dilution.

The assumed initial public offering price is substantially higher than the as adjusted net tangible book value (deficit) per share of our common stock of $0.26 per share as of December 31, 2023. Investors purchasing common stock in this offering will pay a price per share that substantially exceeds the book value of our tangible assets after subtracting our liabilities. As a result, investors purchasing common stock in this offering will incur immediate dilution of $18.27 per share, based on the assumed initial public offering price of $21.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus. This dilution is due to the substantially lower price paid by our investors who purchased shares of common stock prior to this offering as compared to the price offered to the public in this offering.

Future issuances of shares of our common stock, or the perception that these sales may occur, could depress the market price of our common stock and result in dilution to existing holders of our common stock. Also, to the extent outstanding options, restricted stock units or other stock-based awards are issued or become vested, there will be further dilution. The amount of dilution could be substantial depending upon the size of the issuances or exercises. Furthermore, we may issue additional equity securities that could have rights senior to those of our common stock. As a result, purchasers of our common stock in this offering bear the risk that future issuances of debt or equity securities may reduce the value of our common stock and further dilute their ownership interest.

If our estimates or judgments relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our operating results could fall below our publicly announced guidance or the expectations of securities analysts and investors, resulting in a decline in the market price of our common stock.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our combined/consolidated financial statements and the accompanying notes thereto. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. It is possible that interpretation, industry practice and guidance involving estimates and assumptions may evolve or change over time. If our assumptions change or if actual circumstances differ from our assumptions, our operating results may be adversely affected and could fall below our publicly announced guidance or the expectations of securities analysts and investors, resulting in a decline in the market price of our common stock.

We have broad discretion in how we may use the net proceeds from this offering, and we may not use them effectively.

Our management will have broad discretion in applying the net proceeds we receive from this offering, and accordingly, investors in this offering will need to rely upon the judgment of our management with respect to the use of proceeds with only limited information concerning management's specific intentions. We currently intend to use the net proceeds of this offering to repay amounts outstanding under our Amended and Restated 2023 Credit Facility, and the remaining, if any, for general corporate purposes to support the growth of our business. We may use a portion of our net proceeds to acquire and invest in additional nursing facilities or other businesses and service offerings, however, we currently have no binding agreements or commitments for any material investments for which we would use the net proceeds of this offering at this time. We may also spend or invest these proceeds in a way with which our stockholders disagree. If our management fails to use these funds effectively, our business could be seriously harmed.

Upon the listing of our common stock on the New York Stock Exchange, we will be a "controlled company" within the meaning of the corporate governance standards of the New York Stock Exchange. We intend to rely on exemptions from certain corporate governance standards. You will not have the same protections afforded to stockholders of companies that are subject to such requirements.

After the completion of this offering, Jason Murray and Mark Hancock collectively will control a majority of the voting power of shares eligible to vote in the election of our directors. Because more than 50% of the voting power in the election of our directors is held by an individual, group, or another company, we will be a "controlled company" within the meaning of the corporate governance standards of the New York Stock Exchange. As a controlled company, we may elect not to comply with certain corporate governance requirements, including the requirements that, within one year of the date of the listing of our common stock:

- a majority of our board of directors consists of "independent directors," as defined under the rules of such exchange;
- our board of directors has a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;
- our board of directors has a nominating and corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- there be an annual performance evaluation of the nominating and corporate governance and compensation committees.

Following this offering and for so long as we remain a "controlled company," we may rely on these exemptions. Immediately following this offering, we will elect not to comply with certain corporate governance requirements under the rules, including the requirements that within one year of the completion of this offering we have a board that is composed of majority of independent directors and a nominating and corporate governance committee that is composed entirely of independent directors. As a result of these and any additional future elections, our board of directors may not have a majority of independent directors, our compensation committee may not consist entirely of independent directors and our directors may not be nominated or selected by independent directors. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the New York Stock Exchange rules.

After this offering, our principal stockholders and management will own a significant percentage of our stock and will be able to exercise significant influence over matters subject to stockholder approval.

As of December 31, 2023, our executive officers, directors and 5% or greater stockholders beneficially owned 100% of the outstanding shares of our capital stock, and, upon the closing of this offering, that same group, which consists of our two founders, will hold approximately 87.1% of our outstanding shares of common stock (assuming no exercise of the underwriters' option to purchase additional shares from the selling stockholders and excluding shares of common stock issuable upon the settlement of restricted stock units that will be granted pursuant to the 2024 Plan to certain of our executive officers and other employees prior to the completion of this offering). Therefore, even after this offering, these stockholders will have the ability to influence us through this ownership position. The interests of these stockholders may not be the same as or may even conflict, or appear to conflict, with your interests. For example, these stockholders could attempt to delay or prevent a change in control of us, even if such change in control would benefit our other stockholders, which could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of us or our assets, and might affect the prevailing market price of our common stock due to investors' perceptions that conflicts of interest may exist or arise. In addition, these stockholders, acting together, will be able to significantly influence all matters requiring stockholder approval, including the election and removal of directors and any merger or other significant corporate transactions after the completion of this offering. As a result, this concentration of ownership may not be in the best interests of our other stockholders.

Participation in this offering by our directors, officers, existing stockholders and their affiliated entities may reduce the public float for our common stock.

To the extent our directors, officers or certain of our existing stockholders and their affiliated entities participate in this offering, such purchases would reduce the non-affiliate public float of our shares, meaning the number of shares of our common stock that are not held by officers, directors and principal stockholders. A reduction in the public float could reduce the number of shares that are available to be traded at any given time, thereby adversely impacting the liquidity of our common stock and depressing the price at which you may be able to sell shares of common stock purchased in this offering.

Delaware law and provisions in our Amended and Restated Charter and Amended and Restated Bylaws that will be in effect on the completion of this offering grant our founders certain rights with respect to the control of our business and could make a merger, tender offer or proxy contest difficult, thereby depressing the trading price of our common stock.

Our Amended and Restated Charter and Amended and Restated Bylaws that will be in effect on the completion of this offering contain provisions that could depress the trading price of our common stock by acting to discourage, delay or prevent a change of control of our company or changes in our management that the stockholders of our company may deem advantageous. These provisions include the following:

- establishing a classified board of directors so that not all members of our board of directors are elected at one time;
- permitting our board of directors to establish the number of directors and fill any vacancies and newly-created directorships, subject to rights granted to Messrs. Murray and Hancock pursuant to our Amended and Restated Charter and the Stockholders Agreement;
- providing that directors may be removed at any time with or without cause by the affirmative vote of the holders of a majority of the voting power of the then outstanding shares of our voting stock; provided, however, that at any time when Messrs. Murray and Hancock beneficially own, in the aggregate, less than the majority of the voting power of our outstanding shares of voting stock, directors may only be removed for cause and only by the affirmative vote of the holders of at least two-thirds of the voting power of all then outstanding shares of our voting stock;

- requiring the approval of holders of two-thirds of the total voting power of all then outstanding shares of our capital stock to amend certain provisions in our Amended and Restated Charter and our Amended and Restated Bylaws;
- authorizing the issuance of “blank check” preferred stock that our board of directors could use to implement a stockholder rights plan;
- prohibiting stockholders from calling special meetings of stockholders;
- providing that, at any time when Messrs. Murray and Hancock beneficially own, in the aggregate, at least a majority of the voting power of our outstanding shares of voting stock, our stockholders may take action by written consent without a meeting, and at any time when Messrs. Murray and Hancock beneficially own, in the aggregate, less than a majority of the voting power of our outstanding shares of voting stock, our stockholders may not take action by written consent, which has the effect of requiring all stockholder actions to be taken at a meeting of our stockholders;
- providing that the board of directors is expressly authorized to make, alter or repeal our Amended and Restated Bylaws;
- restricting the forum for certain litigation involving us to Delaware or federal courts, as applicable; and
- establishing advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

Any provision of our Amended and Restated Charter or Amended and Restated Bylaws that will be in effect on the completion of this offering or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock. See the section titled “Description of Capital Stock—Anti-Takeover Effects of Provisions of the General Corporation Law of the State of Delaware and our Amended and Restated Charter and Amended and Restated Bylaws.”

The provisions of our Amended and Restated Charter requiring exclusive forum in the Court of Chancery of the State of Delaware and the federal district courts of the United States for certain types of lawsuits may have the effect of discouraging lawsuits against our directors and officers.

Our Amended and Restated Charter to be in effect upon the completion of this offering will provide that, unless we otherwise consent in writing, (A) (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any current or former director, officer, other employee or stockholder of us to the us or the our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, our Amended and Restated Charter or our Amended and Restated Bylaws (as either may be amended or restated) or as to which the Delaware General Corporation Law confers exclusive jurisdiction on the Court of Chancery of the State of Delaware or (iv) any action asserting a claim governed by the internal affairs doctrine of the law of the State of Delaware shall, to the fullest extent permitted by law, be exclusively brought in the Court of Chancery of the State of Delaware or, if such court does not have subject matter jurisdiction thereof, the federal district court of the State of Delaware; and (B) the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act; however, there is uncertainty as to whether a court would enforce such provision, and investors cannot waive compliance with federal securities laws and the rules and regulations thereunder. Notwithstanding the foregoing, the exclusive forum provision shall not apply to claims seeking to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts of the United States have exclusive jurisdiction. The choice of forum provision may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees and may also result in increased costs for stockholders to bring any such claim, which may discourage such lawsuits against us and our directors, officers, and other employees, although our stockholders will not be deemed to have waived our compliance with federal securities laws and the rules and regulations thereunder. Alternatively, if a court were to find the choice of forum provision contained in our Amended and Restated Charter to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could have an adverse effect on our business, financial condition and results of operations. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of our capital stock shall be deemed to have notice of and consented to the forum provisions in our Amended and Restated Charter (as may be amended or restated).

Non-U.S. Holders who own more than 5% of our common stock may be subject to U.S. federal income tax on gain realized on the sale or other taxable disposition of such common stock.

Because the determination of whether we are a “U.S. real property holding corporation” (USRPHC) for U.S. federal income tax purposes depends on the fair market value of our “U.S. real property interests” (USRPIs) relative to the fair market value of our non-U.S. real property interests and our other business assets, and because we have significant interests in real property located in the U.S., we may currently be, or may become in the future, a USRPHC. There can be no assurance that we do not currently constitute, or will not become, a USRPHC. As a result, a “Non-U.S. Holder” (as defined below under “Material U.S. Federal Income Tax Consequences to Non-U.S. Holders”) may be subject to U.S. federal income tax on gain realized on a sale or other taxable disposition of our common stock if such Non-U.S. Holder has owned, actually or constructively, more than 5% of our common stock at any time during the shorter of the five-year period ending on the date of the sale or other taxable disposition or the Non-U.S. Holder’s holding period in such stock.

Affiliates of Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Truist Securities, Inc., RBC Capital Markets, LLC, Regions Securities LLC and KeyBanc Capital Markets Inc., underwriters in this offering, will each receive at least 5% of the net proceeds of this offering and may have an interest in this offering beyond customary underwriting discounts and commissions.

Because affiliates of Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Truist Securities, Inc., RBC Capital Markets, LLC, Regions Securities LLC and KeyBanc Capital Markets Inc. are lenders under our Amended and Restated 2023 Credit Facility and will each receive at least 5% of the net proceeds from this offering in connection with the repayment of amounts outstanding under our Amended and Restated 2023 Credit Facility, a “conflict of interest” within the meaning of FINRA Rule 5121 is deemed to exist. Accordingly, this offering is being made in compliance with the applicable requirements of FINRA Rule 5121. This rule requires, among other things, that a “qualified independent underwriter” participate in the preparation of, and exercise the usual standards of “due diligence” with respect to, the registration statement and this prospectus. Stephens Inc. has agreed to act as qualified independent underwriter for this offering and to undertake the legal responsibilities and liabilities of an underwriter under the Securities Act. Stephens Inc. will not receive any additional fees for serving as qualified independent underwriter in connection with this offering. Although Stephens Inc. has, in its capacity as qualified independent underwriter, participated in due diligence and the preparation of this prospectus and the registration statement of which this prospectus forms a part, this may not adequately address all potential conflicts of interest. We have agreed to indemnify Stephens Inc. against liabilities incurred in connection with acting as qualified independent underwriter, including liabilities under the Securities Act. Pursuant to FINRA Rule 5121, no underwriter having a conflict of interest under FINRA Rule 5121 will confirm sales of our common stock to any account over which it exercises discretionary authority without the specific prior written approval of the of the accountholder. See the sections titled “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Liquidity & Capital Resources—Credit Facilities,” and “Underwriting (Conflicts of Interest)” for additional information.

Risks Related to Being a Public Company

We will incur increased costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives and corporate governance practices. Additionally, if we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired.

As a public company, we will incur significant legal, accounting, and other expenses that we did not incur as a private company. We will be subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Protection Act, as well as rules adopted, and to be adopted, by the Securities and Exchange Commission (SEC), and the New York Stock Exchange. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, we expect these rules and regulations to substantially increase our legal and financial compliance costs and to make some activities more time-consuming and costly, which will increase our operating expenses. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to incur substantial costs to maintain sufficient coverage. We cannot accurately predict or estimate the amount or timing of additional costs we may incur to respond to these requirements. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees, or as executive officers.

In addition, as a public company we will be required to incur additional costs and obligations in order to comply with SEC rules that implement Section 404 of the Sarbanes-Oxley Act. Under these rules, beginning with our second annual report on Form 10-K after we become a public company, we will be required to make a formal assessment of the effectiveness of our internal control over financial reporting, and we will be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we will be engaging in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of our internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are designed and operating effectively, and implement a continuous reporting and improvement process for internal control over financial reporting.

The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing, and possible remediation to meet the detailed standards under the rules. During the course of its testing, our management may identify material weaknesses which may not be remedied in time to meet the deadline imposed by the Sarbanes-Oxley Act. Our internal control over financial reporting will not prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, if we identify or fail to remediate material weaknesses in our internal controls, or if we are unable to maintain proper and effective internal controls, we may not be able to produce timely and accurate financial statements. If that were to happen, the market price of our stock could decline and we could be subject to sanctions or investigations by the stock exchange on which our common stock is listed, the SEC or other regulatory authorities.

We previously identified a material weakness in our internal controls. During 2021 and 2020, we recorded tax credits as calculated by a third-party consulting firm. A subsequent review of those calculations, when also considering additional guidance issued by the Internal Revenue Service, caused management to conclude that the claimed credits may not be fully supportable and, accordingly, no tax benefits should have been recognized for those periods. While we remediated this material weakness as of December 31, 2023 by implementing specific review procedures for tax credit calculations performed by a third-party and ensuring we have personnel with the technical expertise to perform timely review of such calculations to properly conclude on their accounting treatment, we cannot assure you that additional material weaknesses will not be identified in the future. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis. We cannot assure you that the measures we have taken to date, and actions we may take in the future, will be sufficient to prevent or avoid potential future material weaknesses. A material weakness in our internal control over financial reporting could result in an increased probability of fraud, litigation from our stockholders, reduction in our ability to obtain financing, and require additional expenditures to remediate. Our failure to implement and maintain effective internal control over financial reporting could result in errors in our financial statements that could result in loss of investor confidence in the accuracy and completeness of our financial reports and a decline in our stock price, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities.

Our management team has limited experience managing a public company.

Most members of our management team have limited experience managing a publicly traded company, interacting with public company investors and complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage us as a public company that is subject to significant regulatory oversight and reporting obligations under the federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could have an adverse effect on our business, financial condition and results of operations.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

Upon the completion of this offering, we will become subject to the periodic reporting requirements of the Exchange Act. We must design our disclosure controls and procedures to reasonably assure that information we must disclose in reports we file or submit under the Exchange Act is accumulated and communicated to management, and recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC. Any disclosure controls and procedures or internal controls and procedures, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. For example, our directors or executive officers could inadvertently fail to disclose a new relationship or arrangement causing us to fail to make a required related party transaction disclosure. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements due to error or fraud may occur and not be detected.

We could be subject to securities class action litigation.

In the past, securities class action litigation has often been brought against companies following a decline in the market price of its securities. This risk is especially relevant for us because companies in the healthcare industry have experienced significant stock price volatility in recent years. If we face such litigation, it could result in substantial costs and a diversion of management’s attention and resources, which could harm our business.

Our failure to meet the New York Stock Exchange’s continued listing requirements could result in a delisting of our common stock.

If, after listing, we fail to satisfy the continued listing requirements of the New York Stock Exchange, such as the corporate governance requirements or the minimum closing bid price requirement, the New York Stock Exchange may take steps to delist our common stock. Such a delisting would likely have a negative effect on the price of our common stock and would impair your ability to sell or purchase our common stock when you wish to do so. In the event of a delisting, we can provide no assurance that any action taken by us to restore compliance with listing requirements would allow our common stock to become listed again, stabilize the market price or improve the liquidity of our common stock, or prevent future non-compliance with the listing requirements of the New York Stock Exchange.

If securities or industry analysts either do not publish research about us or publish inaccurate or unfavorable research about us, our business or our market, or if they change their recommendations regarding our common stock adversely, the trading price or trading volume of our common stock could decline.

The trading market for our common stock will be influenced in part by the research and reports that securities or industry analysts may publish about us, our business, our market or our competitors. If one or more analysts initiate research with an unfavorable rating or downgrade our common stock, provide a more favorable recommendation about our competitors or publish inaccurate or unfavorable research about our business, our common stock price would likely decline. If any analyst who may cover us were to cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the trading price or trading volume of our common stock to decline.

Regardless of accuracy, unfavorable interpretations of our financial information and other public disclosures could have a negative impact on our stock price. If our financial performance fails to meet analyst estimates, for any of the reasons discussed above or otherwise, or one or more of the analysts who cover us downgrade our common stock or change their opinion of our common stock, our stock price would likely decline.

Even if our common stock is actively covered by analysts, we do not have any control over the analysts or the measures that analysts or investors may rely upon to forecast our future results. Overreliance by analysts or investors on any particular metric to forecast our future results may lead to forecasts that differ significantly from our own.

General Risks

Global economic and financial market conditions, including severe market disruptions and the potential for a significant and prolonged global economic downturn, could impact our business operations in a number of ways, including, but not limited to, reduced demand in key customer end-markets.

The global economy can be negatively impacted by a variety of factors such as the spread or fear of spread of contagious diseases, man-made or natural disasters, actual or threatened war, terrorist activity, political unrest, civil strife and other geopolitical uncertainty. Such adverse and uncertain economic conditions may impact the post-acute services industry and consumer demand for our services. Decreases in demand for our services without a corresponding decrease in our costs would put downward pressure on margins and would negatively impact our financial results. Prolonged unfavorable economic conditions or uncertainty may have an adverse effect on our sales and profitability.

Changes in the U.S. and global social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment could also adversely affect our business. If global economic conditions remain volatile for a prolonged period or experience further disruptions, it could have a material adverse effect on our business, financial condition and results of operations.

Increased attention to, and evolving expectations for, environmental, social, and governance (ESG) initiatives could increase our costs, harm our reputation, or otherwise adversely impact our business.

Companies across industries are facing increasing scrutiny from a variety of stakeholders related to their ESG and sustainability practices. Expectations regarding voluntary ESG initiatives and disclosures may result in increased costs (including but not limited to increased costs related to compliance, stakeholder engagement, contracting and insurance), enhanced compliance or disclosure obligations, or other adverse effects on to our business, financial condition and results of operations.

While we may at times engage in voluntary initiatives (such as voluntary disclosures, certifications, or goals, among others) to improve our ESG profile, such initiatives may be costly and may not have the desired effect. Moreover, we may not be able to successfully complete such initiatives due to factors that are within or outside of our control. Even if this is not the case, our actions may subsequently be determined to be insufficient by various stakeholders, and we may be subject to investor or regulator engagement on our ESG efforts, even if such initiatives are currently voluntary.

Certain market participants, including major institutional investors and capital providers, use third-party benchmarks and scores to assess companies' ESG profiles in making investment or voting decisions. Unfavorable ESG ratings could lead to increased negative investor sentiment towards us, which could negatively impact our share price as well as our access to and cost of capital. To the extent ESG matters negatively impact our reputation, it may also impede our ability to compete as effectively to attract and retain employees, which may adversely impact our operations.

In addition, we expect there will likely be increasing levels of regulation, disclosure-related and otherwise, with respect to ESG matters. For example, the SEC has published propose rules that would require companies to provide significantly expanded climate-related disclosures in their periodic reporting, which may require us to incur significant additional costs to comply, including the implementation of significant additional internal controls processes and procedures regarding matters that have not been subject to such controls in the past, and impose increased oversight obligations on our management and board of directors. These and other changes in stakeholder expectations will likely lead to increased costs as well as scrutiny that could heighten all of the risks identified in this risk factor. Additionally, our business partners may be subject to similar expectations, which may augment or create additional risks, including risks that may not be known to us.

We may acquire or invest in companies, which may divert our management's attention and result in additional dilution to our stockholders. We may be unable to integrate acquired businesses and technologies successfully or achieve the expected benefits of such acquisitions.

We may evaluate and consider potential strategic transactions, including acquisitions of, or investments in, businesses, technologies, services, products, and other assets in the future. An acquisition, investment or business relationship may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products, personnel, or operations of the acquired companies. Key personnel of the acquired companies may choose not to work for us, their software may not be easily adapted to work with ours, or we may have difficulty retaining the customers of any acquired business due to changes in ownership, management, or otherwise. We may also experience difficulties integrating personnel of the acquired company into our business and culture. Acquisitions may also disrupt our business, divert our resources and require significant management attention that would otherwise be available for development of our existing business. The anticipated benefits of any acquisition, investment, or business relationship may not be realized or we may be exposed to unknown risks or liabilities.

Negotiating these transactions can be time-consuming, difficult, and expensive, and our ability to close these transactions may often be subject to approvals that are beyond our control. Consequently, these transactions, even if undertaken and announced, may not close. For one or more of those transactions, we may:

- issue additional equity securities that would dilute our stockholders;
- use cash that we may need in the future to operate our business;
- incur debt on terms unfavorable to us or that we are unable to repay;
- incur large charges or substantial liabilities;
- encounter difficulties retaining key employees of the acquired company or integrating diverse software codes or business cultures; and

- become subject to adverse tax consequences, substantial depreciation, or deferred compensation charges.

We may not be able to pay or maintain dividends and the failure to do so would adversely affect our stock price.

For the years ended December 31, 2023, 2022 and 2021, we paid $80.4 million, $60.3 million, and $53.8 million, respectively, in cash dividends to holders of our common stock. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Any return to stockholders will therefore be limited to any appreciation in the value of their stock. Our ability to pay and maintain cash dividends is based on many factors, including our ability to make and finance acquisitions, our ability to negotiate favorable lease and other contractual terms, anticipated operating cost levels, the level of demand for occupancy at our facilities, the rates we charge and actual results that may vary substantially from estimates. Some of the factors are beyond our control and a change in any such factor could affect our ability to pay or maintain dividends. The Credit Facility restricts our ability to pay dividends to stockholders if we receive notice that we are in default under the agreement. The failure to pay or maintain dividends could adversely affect the market price of our common stock.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve substantial risks and uncertainties. All statements contained in this prospectus other than statements of historical facts, including, but not limited to, statements regarding our business strategy, plans, market growth and our objectives for future operations, are forward-looking statements. The words “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “contemplate,” “believe,” “estimate,” “forecast,” “predict,” “potential” or “continue” or the negative of these terms and other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

Forward-looking statements contained in this prospectus include, but are not limited to, statements about:

- our future financial performance, including our expectations regarding our revenue, operating expenses, and our ability to achieve and maintain future profitability;
- the demand for our services in general;
- our ability and the ability of local leaders and others to transform SNFs and other acquired facilities into higher acuity, high value-add short-term transitional care SNFs, including through the implementation of PACS Services;
- our expectations regarding improvement in clinical quality, patient experience, and operating metrics over time as facilities mature over a transition period, and our ability to maintain standards in our Mature facilities;
- our ability to successfully execute upon our strategy to deploy our decentralized, local operating model in acquired SNFs and in existing and new markets;
- our ability to successfully execute upon our acquisition strategy, including with respect to SNFs, and our ability to successfully identify, acquire and integrate facilities, businesses and operations;
- the scalability of PACS Services and our operating model;
- our ability to successfully compete with existing and new competitors generally and in specific existing and new geographical markets;
- the size of our market and market trends, including with respect to SNFs, expected growth rates of the market and our ability to grow within and further penetrate our market;
- our ability to attract, train, and retain motivated, entrepreneurial individuals, including local leaders. administrators, clinicians, and other important employees and personnel;
- our expectations regarding the effects of existing and developing laws and regulations;
- our ability to comply with regulations applicable to our business;
- our ability to develop and protect our brand;
- our expectations regarding, and management of, future growth;
- our ability to maintain, protect and enhance our technology and intellectual property;
- our ability to implement, maintain and improve effective internal controls and remediate material weaknesses;

- the sufficiency of our cash to meet our liquidity needs;
- the increased expenses associated with being a public company; and
- our anticipated uses of the net proceeds from this offering.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this prospectus.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this prospectus primarily on our current expectations, estimates, forecasts, and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. Although we believe that we have a reasonable basis for each forward-looking statement contained in this prospectus, we cannot guarantee that the future results, levels of activity, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur at all. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the section titled “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition” and elsewhere in this prospectus. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this prospectus. The results, events, and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this prospectus to reflect events or circumstances after the date of this prospectus or to reflect new information or the occurrence of unanticipated events, except as required by applicable law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this prospectus, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and you are cautioned not to unduly rely upon these statements.

You should read this prospectus and the documents that we reference in this prospectus and have filed with the SEC as exhibits to the registration statement of which this prospectus is a part with the understanding that our actual future results, performance, and events and circumstances may be materially different from what we expect. We qualify all of the forward-looking statements in this prospectus by these cautionary statements.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of shares of our common stock in this offering will be approximately $370.3 million, based upon an assumed initial public offering price of $21.00 per share (which is the midpoint of the price range set forth on the cover page of this prospectus) and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

Each $1.00 increase or decrease in the assumed initial public offering price per share of $21.00 (which is the midpoint of the price range set forth on the cover page of this prospectus) would increase or decrease the net proceeds to us from this offering by approximately $17.9 million, assuming that the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each 1,000,000 share increase or decrease in the number of shares of common stock offered by us in this offering would increase or decrease the net proceeds to us from this offering by approximately $19.7 million, assuming that the assumed initial public offering price per share remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our common stock, and enable access to the public equity markets for us and our stockholders. We intend to use approximately $330.0 million of the net proceeds from this offering to repay amounts outstanding under our Amended and Restated 2023 Credit Facility, and the remaining amount for general corporate purposes to support the growth of our business. We may use a portion of the net proceeds to acquire or invest in additional nursing facilities or other businesses and service offerings, although we do not have binding agreements or commitments for any material investments for which we would use the net proceeds of this offering at this time.

As of December 31, 2023, there was an aggregate of $520.0 million outstanding under our Amended and Restated 2023 Credit Facility. The Amended and Restated 2023 Credit Facility matures on December 7, 2028. Amounts outstanding under the Amended and Restated 2023 Credit Facility bear interest, at our option, based on: (a) the Secured Overnight Financing Rate (plus a 0.10% credit spread adjustment) plus a margin ranging from 2.25% to 3.25% per annum; or (b) the Base Rate (as defined in the Amended and Restated Credit Agreement) plus the applicable margin ranging from 1.25% to 2.25% per annum. For further information on the Amended and Restated 2023 Credit Facility, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity & Capital Resources."

The expected use of net proceeds from this offering represents our intentions based upon our present plans and business conditions. We cannot predict with certainty all of the particular uses for the proceeds of this offering or the amounts that we will actually spend on the uses set forth above. Accordingly, our management will have broad discretion in applying the net proceeds of this offering. The timing and amount of our actual expenditures will be based on many factors, including cash flows from operations and the anticipated growth of our business. Pending their use, we intend to invest the net proceeds of this offering in one or more capital-preservation investments, which may include short- and intermediate-term investments, interest-bearing investments, investment-grade securities, U.S. government securities, certificates of deposit and money market funds.

We will not receive any proceeds from the sale of shares of our common stock by selling stockholders. We will, however, bear the costs, other than the underwriting discounts and commissions, associated with the sale of these shares.

DIVIDEND POLICY

For the years ended December 31, 2023, 2022 and 2021, we paid $80.4 million, $60.3 million and $53.8 million, respectively, in cash dividends to holders of our common stock. We have no current plans to pay dividends or other distributions on our common stock in the foreseeable future following this offering. Any decision to declare and pay dividends in the future will be made at the sole discretion of our board of directors and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions and other factors that our board of directors may deem relevant, and subject to the restrictions contained in any future financing instruments and applicable law.

CAPITALIZATION

The following table sets forth our cash, cash equivalents and capitalization as of December 31, 2023 as follows:

(1) on an actual basis;

(2) on an as adjusted basis, giving effect to: (i) the filing and effectiveness of the Amended and Restated Charted and Amended and Restated Bylaws and (ii) the issuance and sale by us of 19,050,000 shares of our common stock in this offering based on an assumed initial public offering price of $21.00 per share (which is the midpoint of the price range set forth on the cover page of this prospectus), after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, and the application of the net proceeds from this offering as described in "Use of Proceeds."

The information below is illustrative only. Our capitalization following the closing of this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at the pricing of this offering. You should read this table together with the sections titled "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited combined/consolidated financial statements and the related notes included elsewhere in this prospectus.

	As of December 31, 2023	
	Actual	**As Adjusted (1)**
	(in thousands, except share and per share data)	
Cash and cash equivalents	$ 73,416	$ 113,758
Debt (including current portion of long-term debt)	732,530	402,530
PACS Group, Inc. stockholders' equity		
Common stock, par value $0.001 per share; 64,361,693,000 shares authorized, 128,723,386 shares issued and outstanding, actual; and 1,250,000,000 shares authorized, 147,773,386 shares issued or outstanding, as adjusted	129	148
Preferred stock	—	—
Additional paid-in capital	—	370,324
Retained earnings	95,997	95,997
Total PACS Group, Inc. stockholders' equity	96,126	466,469
Total capitalization	$ 828,656	$ 868,999

(1) Does not give effect to the use of existing cash to satisfy the anticipated tax withholding and remittance obligations of approximately $29.4 million related to the vesting and settlement of restricted stock units that will be granted to certain of our executive officers and other employees prior to the completion of this offering pursuant to our 2024 Plan (based on an assumed initial public offering price of $21.00 per share, which is the midpoint of the price range set forth on the cover of this prospectus, and an assumed 37% tax withholding rate).

Each $1.00 increase or decrease in the assumed initial public offering price per share of $21.00 (which is the midpoint of the price range set forth on the cover page of this prospectus) would increase or decrease, as applicable, each of our as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity, and total capitalization by approximately $17.9 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each 1,000,000 share increase or decrease in the number of shares of common stock offered by us in this offering would increase or decrease, as applicable, each of our as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity, and total capitalization by approximately $19.7 million, assuming that the assumed initial public offering price per share remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The number of shares of our common stock to be outstanding after this offering is based on 128,723,386 shares of our common stock outstanding as of December 31, 2023, and excludes:

- the number of shares of our common stock reserved for future issuance under our 2024 Plan, which will become effective prior to the completion of this offering, equal to 10.25% of the number of shares of our common stock outstanding as of immediately following the completion of this offering (disregarding the shares issuable under the 2024 Plan), which is currently expected to be 15,146,772 shares of common stock. All such shares will be issuable upon the settlement of restricted stock units that will be granted to certain of our executive officers and other employees prior to the completion of this offering, 25% of which will immediately vest and settle upon grant. The vested restricted stock units will net settle, which we expect will result in the net issuance of 2,385,617 shares of our common stock, after withholding 1,401,076 shares of common stock to satisfy associated estimated income tax obligations (based on an assumed 37% tax withholding rate), as described under “Compensation Discussion and Analysis—Equity Compensation;” and

- the number of shares of our common stock reserved for future issuance under our ESPP, which will become effective prior to the completion of this offering, equal to 1% of the number of shares of our common stock outstanding as of immediately following the completion of this offering (disregarding the shares issuable under the 2024 Plan), which is currently expected to be 1,477,734 shares of common stock.

Our 2024 Plan and our ESPP provide for annual automatic increases in the number of shares reserved thereunder.

DILUTION

If you invest in our common stock in this offering, your ownership interest will be immediately diluted to the extent of the difference between the assumed initial public offering price per share and the as adjusted net tangible book value per share of our common stock immediately after this offering. Dilution in the as adjusted net tangible book value per share to new investors represents the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the as adjusted net tangible book value per share of our common stock immediately after the completion of this offering.

As of December 31, 2023, we had a net tangible book value of $33.4 million, or $0.26 per share of common stock. Our historical net tangible book value represents our total tangible assets excluding deferred offering costs, less our total liabilities, divided by the total number of shares of our common stock outstanding as of December 31, 2023.

After giving effect to receipt of the net proceeds from our sale of 19,050,000 shares of common stock at an assumed initial public offering price of $21.00 per share (which is the midpoint of the price range set forth on the cover page of this prospectus), after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, and the application of the net proceeds from this offering as described in "Use of Proceeds," our as adjusted net tangible book value as of December 31, 2023 would have been approximately $403.8 million, or $2.73 per share. This represents an immediate increase in net tangible book value of $2.47 per share to our existing stockholders and an immediate dilution of $18.27 per share to new investors participating in this offering.

The following table illustrates this dilution on a per share basis to new investors:

Assumed initial public offering price per share			$	21.00
Net tangible book value per share as of December 31, 2023	$	0.26		
Increase in net tangible book value per share attributable to new investors participating in this offering	$	2.47		
As adjusted net tangible book value per share after this offering			$	2.73
Dilution per share to new investors in this offering			$	18.27

Each $1.00 increase or decrease in the assumed initial offering price per share of $21.00 (which is the midpoint of the price range set forth on the cover page of this prospectus) would increase or decrease, as applicable, our as adjusted net tangible book value after this offering by approximately $17.9 million, or $0.12 per share, and would increase or decrease, as applicable, the dilution per share to new investors purchasing our common stock in this offering by $0.88 per share, assuming that the number of shares offered by us in this offering, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions, and estimated offering expenses payable by us. Similarly, each 1,000,000 share increase in the number of shares of common stock offered by us would increase the as adjusted net tangible book value after this offering by $0.11 per share and decrease the dilution per share to new investors participating in this offering by $0.11 per share, and each 1,000,000 share decrease in the number of shares of common stock offered by us in this offering would decrease the as adjusted net tangible book value by $0.12 per share, and increase the dilution per share to new investors in this offering by $0.12 per share, assuming that the assumed initial public offering price per share of $21.00 remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The following table presents, on an as adjusted basis as described above, the differences between the number of shares purchased from us, the total consideration paid and the average price per share paid to us by existing stockholders and by investors purchasing shares in this offering based on an assumed initial public offering price per share of $21.00 (which is the midpoint of the price range set forth on the cover page on this prospectus), before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us (assuming no purchases of any shares of common stock in this offering by existing stockholders).

	Shares Purchased		Total Consideration		
	Number	Percent	Amount	Percent	Average price per Share
Existing stockholders	128,723,386	87.1 %	$ 20	0.0 %	$ 0.00
New investors	19,050,000	12.9 %	$ 400,050,000	100.0 %	$ 21.00
Total	**147,773,386**	**100.0 %**	**$ 400,050,020**	**100.0 %**	**$ 2.71**

Each $1.00 increase or decrease in the assumed initial offering price per share of $21.00 (which is the midpoint of the price range set forth on the cover page of this prospectus) would increase or decrease the total consideration paid by new investors, total consideration paid by all stockholders, and average price per share paid by all stockholders by $19.1 million, $19.1 million, and $0.13 per share, respectively, assuming that the number of shares offered by us in this offering, as set forth on the cover page of this prospectus, remains the same, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Each 1,000,000 share increase or decrease in the number of shares sold in this offering, as set forth on the cover page of this prospectus, would increase or decrease, as applicable, the total consideration paid by new investors, total consideration paid by all stockholders, and average price per share paid by all stockholders by $21.0 million, $21.0 million, and $0.12 per share, respectively, assuming that the assumed initial public offering price per share of $21.00 (which is the midpoint of the price range set forth on the cover page of this prospectus) remains the same, before deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The table above assumes no exercise by the underwriters of their option to purchase additional shares of our common stock from the selling stockholders in this offering. Sales of shares of our common stock by the selling stockholders in this offering will reduce the total number of shares of common stock held by existing stockholders to 128,723,386 or approximately 87.1% of the total shares of common stock outstanding after the completion of this offering, and will increase the number of shares held by investors to 19,050,000, or approximately 12.9% of the total shares of common stock outstanding after the completion of this offering.

The foregoing discussion and tables (other than the historical net tangible book value (deficit) calculation) are based on 128,723,386 shares of our common stock outstanding as of December 31, 2023, and excludes:

- the number of shares of our common stock reserved for future issuance under our 2024 Plan, which will become effective prior to the completion of this offering, equal to 10.25% of the number of shares of our common stock outstanding as of immediately following the completion of this offering (disregarding the shares issuable under the 2024 Plan), which is currently expected to be 15,146,772 shares of common stock. All such shares will be issuable upon the settlement of restricted stock units that will be granted to certain of our executive officers and other employees prior to the completion of this offering, 25% of which will immediately vest and settle upon grant. The vested restricted stock units will net settle, which we expect will result in the net issuance of 2,385,617 shares of our common stock, after withholding 1,401,076 shares of common stock to satisfy associated estimated income tax obligations (based on an assumed 37% tax withholding rate), as described under "Compensation Discussion and Analysis—Equity Compensation;" and

- the number of shares of our common stock reserved for future issuance under our ESPP, which will become effective prior to the completion of this offering, equal to 1% of the number of shares of our common stock outstanding as of immediately following the completion of this offering (disregarding the shares issuable under the 2024 Plan), which is currently expected to be 1,477,734 shares of common stock.

Our 2024 Plan and our ESPP provide for annual automatic increases in the number of shares reserved thereunder.

The dilution information discussed above is illustrative only and may change based on the actual initial public offering price and other terms of this offering. To the extent any options are granted and exercised in the future, there may be additional economic dilution to new investors. In addition, we may choose to raise additional capital due to market conditions or strategic considerations, even if we believe we have sufficient funds for our current or future operating plans. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

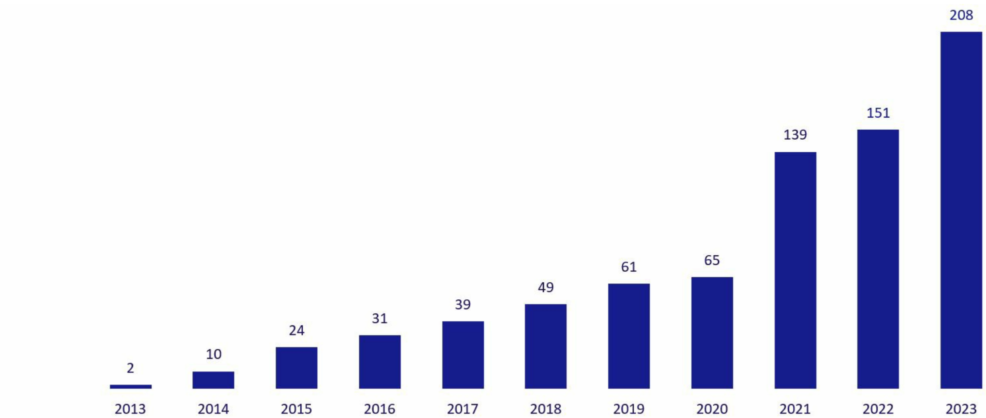
You should read the following discussion and analysis of our financial condition and results of operations together with our audited combined/consolidated financial statements and the related notes included elsewhere in this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should read the sections titled "Risk Factors" and "Special Note Regarding Forward-Looking Statements" for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. Our historical results are not necessarily indicative of the results to be expected in the future.

Overview

We are a leading post-acute healthcare company primarily focused on delivering high-quality skilled nursing care through a portfolio of independently operated facilities. Founded in 2013, we are one of the largest skilled nursing providers in the United States based on number of facilities, with over 200 post-acute care facilities across nine states serving over 20,000 patients daily. We also provide senior care, assisted living, and independent living options in some of our communities. Our significant historical growth has been primarily driven by our expertise in acquiring underperforming long-term custodial care skilled nursing facilities and transforming them into higher acuity, high value-add short-term transitional care skilled nursing facilities. We believe our success is driven in significant part by our decentralized, local operating model, through which we empower local leaders at each facility to operate their facility autonomously and deliver excellence in clinical quality and a superior experience for our patients. We provide our independently operated facilities with a comprehensive suite of technology, support, and back-office services that allow local leadership teams to focus more of their time and effort on providing quality care to patients. We believe our operating model delivers value to all of our healthcare stakeholders, including patients and families, referring providers, payors, and administrators and clinicians.

We were founded in 2013 with two skilled nursing facilities located in San Diego and a mission to improve the delivery, leadership and quality of post-acute care. By implementing our operating model across our SNFs, we quickly expanded using a disciplined and balanced acquisition strategy. A significant amount of our early expansion was in California, where we were able to leverage our experience from our initial facilities as we expanded our footprint across the state by acquiring select SNFs that fit our acquisition strategy. Over time, we expanded into additional states, such as Texas, Missouri, South Carolina, and Nevada, among others. In 2021, we acquired the operating assets of Plum Healthcare Group (Plum), then one of the largest operators of SNFs in California, which significantly increased our number of SNF facilities and operational beds. Since 2021, we have remained disciplined but opportunistic in our acquisition strategy, having acquired or opened on a net basis 12 facilities in 2022 and 57 in 2023. The graphic below provides an overview of our corporate history and sets forth our acquisitions per year for the periods indicated, as well as our number of post-acute facilities, inclusive of skilled nursing facilities and assisted living facilities, and SNF operational beds as of the end of the periods indicated.

Number of Post-Acute Care Facilities Operated



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
# of States	1	2	2	2	3	5	6	6	7	7	9
# Acquired / Opened (net)	2	8	14	7	8	10	12	4	74	12	57
# SNF Beds	267	1,082	2,506	3,106	3,984	5,137	6,506	6,959	14,841	16,345	22,950

We aim to create value by identifying and acquiring underperforming custodial care facilities and converting them into higher-value short-term transitional care facilities by investing in clinical teams and processes and upgrading technology, equipment, training, staffing, aesthetics, and other aspects of the business. The resources and guidance offered by PACS Services is key to rapid integration of new facilities and provides our local leadership teams with an effective technology infrastructure, support tools, and regional support teams that allow local leadership to focus on operational improvements. Our facilities generally undergo an up to three-year post-acquisition transition period. During this period, we seek to implement best practices designed to realize and sustain the facility’s full potential. These practices often result in significant improvements to clinical quality and other operational metrics, including skilled mix, occupancy rates and payor contracting. We believe the results of our acquisition strategy are demonstrated by our high average QM Star rating and occupancy rate for Mature facilities of 4.2 and 93%, respectively, as of December 31, 2023. As of December 31, 2023, the average QM Star rating and occupancy rate for New facilities was 3.9 and 87%, respectively.

Our portfolio of owned and leased properties is strategically located in nine states: Arizona, California, Colorado, Kentucky, Missouri, Nevada, Ohio, South Carolina and Texas. We anticipate that available acquisition opportunities will enable us to further penetrate our reach into these nine states and to enter new states in the future. We believe our current markets are attractive and that the states in which we operate each has unique benefits, such as favorable reimbursement dynamics, high barriers to entry, or population growth of adults aged 65 and older, which is our primary patient demographic. We generally look for similar attributes in new markets that we enter. As of December 31, 2023 we leased 165 facilities, directly owned the real estate at 29 facilities, and owned partial interests in an additional 14 facilities through joint ventures. The joint venture operations were formed to develop, own, and lease health care facilities to our operational subsidiaries, and our investment in these joint ventures is accounted for under the equity method because we do not have a controlling financial interest in such ventures. Each joint venture is governed by a managing member that makes significant decisions that impact the performance of the joint venture. We are not the managing member for any of the joint ventures in which we invest and operational and strategic decision making power is held by entities that we do not control. However, certain of our joint venture agreements provide for specified consent rights to the members regarding, among others, the ability of the joint venture to enter into a material contract, engage in new business outside the specified business purpose of the joint venture, enter into leases, incur capital expenses above specified thresholds, and file for bankruptcy or similar acts. Pursuant to the respective agreements, some of the joint ventures hold options to purchase the related real estate property holdings. As we continue to grow, we intend to explore additional purchases of real-estate assets, through purchase options or right-of-first refusals in existing leases, as well as acquisitions and de novo construction of purpose-built facilities.

Industry Trends

We operate in the post-acute care industry, which is an essential component of the healthcare delivery ecosystem, serving high need, medically fragile patients. The post-acute care industry has evolved to meet the growing demand for post-acute and custodial healthcare services generated by an aging population, increasing life expectancies and the trend toward shifting patient care to lower cost settings. The industry continues to evolve, driven by several trends, including the following:

SNFs are an Integral and Essential Part of the Post-Acute Care Continuum SNFs play an essential role in post-acute patient care. SNFs provide higher-acuity skilled nursing care to patients that cannot be adequately treated in community-based care settings, such as assisted living or independent living facilities, and who are no longer appropriate candidates for hospital care. Despite the wide array of services and variety of needs addressed, SNFs are the lowest cost facility-based post-acute healthcare. As reimbursement and coverage continues to shift toward value-based models with greater emphasis on controlling costs, SNFs are integral to post-acute care and will continue to drive high-quality outcomes in low-cost settings.

Large, Fragmented Industry Comprised of Mostly Small and Independent Operators According to the National Center for Health Statistics (NCHS) 2020 National Post-acute and Long-term Care Study*,* the SNF industry in the United States encompasses approximately 15,000 facilities and serves approximately 1.3 million patients annually. The industry is highly fragmented, with the top 10 operators, each having greater than 100 facilities, representing approximately 11% of total number of SNFs in the United States, according to CMS data as of September 2022, approximately 5,000 smaller and independent operators of less than 100 facilities making up the remainder. According to this data, of the approximately 15,000 facilities, approximately 13,200 facilities have less than 100 beds, and approximately 74% and 26% of SNFs are located in urban and rural areas, respectively. In addition, approximately 72%, 23%, and 6% of SNFs are operated as for-profit, non-profit, and by the government, respectively, according to such data. We believe this fragmented landscape creates opportunities for larger providers with greater scale to serve patients better and meet regulatory requirements nation-wide by effectively addressing staffing, quality standards, and billing processes. In addition, due to the increasing demands from hospitals and insurance carriers to implement sophisticated and expensive reporting systems, we believe this fragmentation provides us with significant acquisition and consolidation opportunities.

Growing Demand Outpacing Supply of Skilled Nursing Facilities*.* The demand for healthcare services in the United States has increased in recent years and is expected to continue growing, largely due to a rapidly aging population and an increasing prevalence of chronic conditions. While demand has increased for SNFs, the number of SNFs has declined in recent years from approximately 15,650 in 2017 to approximately 14,900 in 2023. We believe this is due to a variety of factors, including an inability of many facilities to comply with the industry’s stringent regulatory compliance obligations and with quality standards, rigorous staffing, and billing requirements, as well as a lack of technology and sophistication at small and independent operators. Furthermore, new operators to this highly regulated industry face multiple barriers to entry, including the requirements to obtain a Certificate of Need, complex licensure and regulatory compliance requirements, lack of operating experience, and significant capital requirements. As a result, the addition of new SNFs has not kept pace with the number of SNFs exiting the market, amplifying the need for skilled nursing to serve an aging population.

Favorable Reimbursement Environment*.* According to CMS, approximately 72% of SNF revenue in 2022 was derived from government sources, including Medicaid and Medicare. Medicaid represents 51% of industry revenue, while Medicare represents approximately 21%. The remainder comprises managed care, private pay, and other payors. Medicare and Medicaid reimbursement has steadily increased over the past few years. Medicare reimbursement per patient day increased at a CAGR of approximately 3.6% from 2012 to 2021, while Medicaid reimbursement per patient day increased at a CAGR of approximately 1.9% from 2012 to 2021. The industry has experienced over 9 years of growth in reimbursement rates.

Regulatory Environment. The SNF industry is highly regulated with stringent regulatory compliance obligations. In the ordinary course of business, providers are subject to federal, state and local laws and regulations relating to, among other things, billing and reimbursement, relationships with vendors, business relationships with physicians and other healthcare providers and facilities, as well as licensure, accreditation, enrollment, quality, adequacy of care, physical plant, life safety, personnel, staffing and operating requirements. Changes in law or new interpretations of existing laws and regulations may have a significant impact on revenue, costs and business operations of providers and other industry participants. In addition, governmental and other authorities periodically inspect the SNFs, senior living facilities and outpatient rehabilitation agencies to verify continued compliance with applicable regulations and standards and may impose citations and other regulatory penalties for regulatory deficiencies. Such regulatory penalties include but are not limited to civil monetary penalties, temporary payment bans, suspension or revocation of a state operating license and loss of certification as a provider in the Medicare or Medicaid program, which may be temporary or permanent in nature. This regulatory environment and related enforcement can have an adverse effect on providers and other industry participants. See the section titled "Business—Regulatory Matters."

Key Skilled Services Metrics and Non-GAAP Financial Measures

We use the following key skilled services metrics and non-GAAP financial measures to help us evaluate our business, identify trends that affect our financial performance, and make strategic decisions.

Key Skilled Services Metrics

We monitor the below key skilled services metrics across all of our facilities and by Mature facilities, Ramping facilities, and New facilities. Mature facilities are defined as facilities purchased more than 36 months prior to a respective measurement date. Ramping facilities are defined as facilities purchased within 18 to 36 months prior to a respective measurement date. New facilities are defined as facilities purchased less than 18 months prior to a respective measurement date.

- Skilled nursing services revenue — Skilled nursing services revenue reflects the portion of patient and resident service revenue generated from all patients in skilled nursing facilities, excluding revenue generated from our assisted and independent living services.

- Skilled mix — We measure both revenue and nursing patient days by payor. Medicare and managed care patients, whom we refer to as high acuity patients, typically require a higher level of skilled nursing care. As a result, Medicare and managed care reimbursement rates are typically higher than those from other payors. In most states, Medicaid reimbursement rates are generally the lowest of all payor types. Changes in the payor mix can significantly affect our revenue and profitability. To monitor this performance, we evaluate two different measures of skilled mix:

    - Skilled mix by revenue — Skilled mix by revenue represents the portion of routine revenue generated from treating high acuity Medicare and managed care patients. Routine revenue refers to skilled nursing services revenue generated by contracted daily rates charged for skilled nursing services. Services provided outside of routine contractual agreements are recorded separately as ancillary revenue, including Medicare Part B therapy services, and are not routine revenue. The inclusion of therapy and other ancillary treatments in the contracted daily rate varies by payor source and by contract. Revenue associated with calculating skilled mix is based on contractually agreed-upon amounts or rates, excluding the estimates of variable consideration under the revenue recognition standard, Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606.

◦ Skilled mix by nursing patient days — Skilled mix by nursing patient days represents the number of days our high acuity Medicare and managed care patients receive skilled nursing services at skilled nursing facilities as a percentage of the total number of days that patients from all payor sources receive skilled nursing services at skilled nursing facilities for any given period.

- Occupancy — The total number of patients occupying a bed in a skilled nursing facility as a percentage of the beds in such facility that are available for occupancy during the period.

- Number of facilities — The total number of skilled nursing facilities that we operate. Excludes five and one assisted living facilities for the years ended December 31, 2023 and 2022, respectively.

- Number of operational beds — The total number of operational beds associated with the skilled nursing facilities that we own.

The following tables present the above key skilled services metrics by category for all facilities, Mature facilities, Ramping facilities and New facilities as of and for the years ended December 31, 2023, 2022 and 2021:

	Year ended December 31,			Growth Rate for the year ended December 31,	
	2023	2022	2021	2023	2022
	(Dollars in thousands)				
Total facility results:					
Skilled nursing services revenue	$ 3,092,577	$ 2,391,309	$ 1,133,103	29.3 %	111.0 %
Skilled mix by revenue	55.1 %	64.1 %	57.8 %	(9.0)%	6.3 %
Skilled mix by nursing patient days	32.4 %	40.7 %	34.5 %	(8.3)%	6.2 %
Occupancy for skilled nursing services:					
Available patient days	7,457,345	5,719,689	3,106,602	30.4 %	84.1 %
Actual patient days	6,775,063	5,139,736	2,681,927	31.8 %	91.6 %
Occupancy rate (operational beds)	90.9 %	89.9 %	86.3 %	1.0 %	3.6 %
Number of facilities at period end	203	150	138	35.3 %	8.7 %
Number of operational beds at period end	22,950	16,345	14,841	40.4 %	10.1 %

	Year ended December 31,			Growth Rate for the year ended December 31,	
	2023	2022	2021	2023	2022
	(Dollars in thousands)				
Mature facility[(1)] results:					
Skilled nursing services revenue	$ 1,095,106	$ 951,936	$ 653,871	15.0 %	45.6 %
Skilled mix by revenue	58.8 %	66.1 %	59.6 %	(7.3)%	6.5 %
Skilled mix by nursing patient days	35.6 %	43.1 %	36.2 %	(7.5)%	6.9 %
Occupancy for skilled nursing services:					
Available patient days	2,497,872	2,175,718	1,637,371	14.8 %	32.9 %
Actual patient days	2,333,584	1,995,321	1,441,566	17.0 %	38.4 %
Occupancy rate (operational beds)	93.4 %	91.7 %	88.0 %	1.7 %	3.7 %
Number of facilities at period end	65	62	49	4.8 %	26.5 %
Number of operational beds at period end	6,959	6,525	5,137	6.7 %	27.0 %

(1) Mature facilities represent facilities purchased more than 36 months before the date presented.

	Year ended December 31,			Growth Rate for the year ended December 31,	
	2023	2022	2021	2023	2022
			(Dollars in thousands)		
Ramping facility[(1)] results:					
Skilled nursing services revenue	$ 924,697	$ 141,542	$ 240,631	553.3 %	(41.2)%
Skilled mix by revenue	55.3 %	64.3 %	55.4 %	(9.0)%	8.9 %
Skilled mix by nursing patient days	32.5 %	38.4 %	31.6 %	(5.9)%	6.8 %
Occupancy for skilled nursing services:					
Available patient days	2,135,644	365,702	765,547	484.0 %	(52.2)%
Actual patient days	1,994,742	330,306	652,272	503.9 %	(49.4)%
Occupancy rate (operational beds)	93.4 %	90.3 %	85.2 %	3.1 %	5.1 %
Number of facilities at period end	76	4	17	1800.0 %	(76.5)%
Number of operational beds at period end	8,330	453	1,822	1738.9 %	(75.1)%

(1) Ramping facilities represent facilities purchased within 18-36 months of the date presented.

	Year ended December 31,			Growth Rate for the year ended December 31,	
	2023	2022	2021	2023	2022
			(Dollars in thousands)		
New facility[(1)] results:					
Skilled nursing services revenue	$ 1,072,774	$ 1,297,831	$ 238,601	(17.3)%	443.9 %
Skilled mix by revenue	51.1 %	62.5 %	55.4 %	(11.4)%	7.1 %
Skilled mix by nursing patient days	29.2 %	39.4 %	33.5 %	(10.2)%	5.9 %
Occupancy for skilled nursing services:					
Available patient days	2,823,829	3,178,269	703,684	(11.2)%	351.7 %
Actual patient days	2,446,737	2,814,109	588,089	(13.1)%	378.5 %
Occupancy rate (operational beds)	86.6 %	88.5 %	83.6 %	(1.9)%	4.9 %
Number of facilities at period end	62	84	72	(26.2)%	16.7 %
Number of operational beds at period end	7,661	9,367	7,882	(18.2)%	18.8 %

(1) New facilities represent facilities purchased less than 18 months from the date presented.

The following tables present additional detail regarding our skilled mix, including our percentage of nursing patient days and revenue by payor source for all facilities, Mature facilities, Ramping facilities and New facilities for the years ended December 31, 2023, 2022 and 2021:

	Year ended December 31,											
	Mature			Ramping			New			Total		
Skilled mix by revenue	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Medicare	41.5 %	51.5 %	45.7 %	35.7 %	49.8 %	43.6 %	36.1 %	44.9 %	36.7 %	37.9 %	47.8 %	43.3 %
Managed care	17.3	14.6	13.9	19.6	14.5	11.8	15.0	17.6	18.7	17.2	16.3	14.5
Skilled mix	*58.8*	*66.1*	*59.6*	*55.3*	*64.3*	*55.4*	*51.1*	*62.5*	*55.4*	*55.1*	*64.1*	*57.8*
Medicaid	35.2	29.0	35.5	37.7	30.8	38.3	41.9	31.8	37.2	38.3	30.6	36.4
Private and other	6.0	4.9	4.9	7.0	4.9	6.3	7.0	5.7	7.4	6.6	5.3	5.8
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Skilled mix by nursing patient days	Year ended December 31,											
	Mature			Ramping			New			Total		
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Medicare	21.7 %	30.3 %	25.5 %	18.3 %	27.8 %	23.0 %	18.2 %	25.5 %	19.5 %	19.4 %	27.5 %	23.6 %
Managed care	13.9	12.8	10.7	14.2	10.6	8.6	11.0	13.9	14.0	13.0	13.2	10.9
Skilled mix	*35.6*	*43.1*	*36.2*	*32.5*	*38.4*	*31.6*	*29.2*	*39.4*	*33.5*	*32.4*	*40.7*	*34.5*
Medicaid	55.8	49.4	56.7	58.0	53.6	59.4	62.0	52.1	57.8	58.7	51.2	57.6
Private and other	8.6	7.5	7.1	9.5	8.0	9.0	8.8	8.5	8.7	8.9	8.1	7.9
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

- Average daily rates — The routine revenue by payor source for a period at the skilled nursing facilities divided by actual patient days for that revenue source for that given period. These rates exclude additional state relief funding, which includes payments we recognized as part of The Families First Coronavirus Response Act (FFCRA). Revenue associated with calculating average daily rates is based on contractually agreed-upon amounts or rates, excluding the estimates of variable consideration under the revenue recognition standard, Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606.

The following table presents average daily rates by payor source, excluding services that are not covered by the daily rate, for the years ended December 31, 2023, 2022 and 2021:

	Year ended December 31,											
	Mature			Ramping			New			Total		
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Medicare	885.18	$ 802.83	$ 795.90	$ 905.90	$ 773.15	$ 695.43	$ 874.32	$ 817.51	$ 765.33	$ 887.27	$ 808.35	$ 766.53
Managed care	572.65	544.92	575.73	643.35	590.76	501.86	597.86	588.94	540.78	603.18	572.60	551.72
Total for skilled patient payors(1)	*762.84*	*726.56*	*730.92*	*791.41*	*722.75*	*642.79*	*769.97*	*736.89*	*671.08*	*773.61*	*731.80*	*698.54*
Medicaid	291.86	278.25	277.94	303.14	248.66	236.02	296.81	283.38	261.73	297.03	279.12	263.85
Private and other	328.1	301.46	311.66	346.80	261.47	258.02	351.42	313.43	343.94	342.27	305.76	304.62
Total (2)	*462.8*	*$ 473.09*	*$ 444.38*	*$ 466.11*	*$ 431.75*	*$ 366.52*	*$ 439.66*	*$ 464.75*	*$ 406.17*	*$ 455.42*	*$ 465.87*	*$ 417.06*

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(1) Represents weighted average of revenue generated by Medicare and managed care payor sources.
(2) Represents weighted average.

Non-GAAP Financial Measures

In addition to our results provided throughout that are determined in accordance with GAAP, we also present the following non-GAAP financial measures: EBITDA, Adjusted EBITDA and Adjusted EBITDAR (collectively, Non-GAAP Financial Measures). EBITDA and Adjusted EBITDA are performance measures. Adjusted EBITDAR is a valuation measure. These Non-GAAP Financial Measures have no standardized meaning defined by GAAP, and therefore have limitations as analytical tools, and they should not be considered in isolation, or as a substitute for analysis of our results as reported in accordance with GAAP. You should review the reconciliation of net income to the Non-GAAP Financial Measures in the table below, together with our audited combined/consolidated financial statements and the related notes in their entirety, and should not rely on any single financial measure. Additionally, other companies may define these or similar Non-GAAP Financial Measures with the same or similar names differently, and because these Non-GAAP Financial Measures are not standardized, it may not be possible to compare these financial measures to those of other companies.

Performance Measures

We use EBITDA and Adjusted EBITDA to facilitate internal comparisons of our historical operating performance on a more consistent basis, as well as for business planning and forecasting purposes. In addition, we believe the presentation of EBITDA and Adjusted EBITDA is useful to investors, analysts and other interested parties in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our ongoing operating performance.

EBITDA – We calculate EBITDA as net income, adjusted for net losses attributable to noncontrolling interest, before: other expense, net; provision for income taxes; and depreciation and amortization.

Adjusted EBITDA – We calculate Adjusted EBITDA as EBITDA further adjusted for non-core business items, which for the reported periods includes, to the extent applicable, costs incurred to acquire operations that are not capitalizable, costs related to the integration of acquired companies, lease termination fees, losses incurred from debt restructuring, and certain one-time expenses that are not representative of our underlying operating performance. Costs related to acquisitions include costs related to our acquisition of SNF facilities and providers, including related costs such as legal fees, financial and tax due diligence, consulting and escrow fees. Costs associated with acquisition integration include legal settlements paid following acquisitions made in prior periods.

Valuation Measure

We use Adjusted EBITDAR as a measure to determine the value of prospective acquisitions and to assess the enterprise value of our business without regard to differences in capital structures and leasing arrangements. In addition, we believe that Adjusted EBITDAR is also a commonly used measure by investors, analysts and other interested parties to compare the enterprise value of different companies in the healthcare industry without regard to differences in capital structures and leasing arrangements, particularly for companies with operating and finance leases. For example, finance lease expenditures are recorded in depreciation and interest and are therefore removed from Adjusted EBITDA, whereas operating lease expenditures are recorded in rent expense and are therefore retained in Adjusted EBITDA. Adjusted EBITDAR is a financial valuation measure that is not specified in GAAP, and is not displayed as a performance measure as it excludes rent expense, which is a normal and recurring cash operating expense, and is therefore presented only for the current period. While we believe that Adjusted EBITDAR provides useful insight regarding our underlying operations, excluding the impact of our operating leases, we must still incur cash operating expenses related to our operating leases and rent and such expenses are necessary to operate our leased operations. As a result, Adjusted EBITDAR may understate the extent of our cash operating expenses for the respective period relative to our actual cash needs to operate our leased operations and business.

Adjusted EBITDAR – We calculate Adjusted EBITDAR as Adjusted EBITDA less rent-cost of services.

The table below presents a reconciliation of EBITDA, Adjusted EBITDA and Adjusted EBITDAR to net income, the most directly comparable financial measure calculated in accordance with GAAP, on a combined/consolidated basis for the periods presented:

	Year Ended December 31,		
	2023	**2022**	**2021**
		(in thousands)	
Net income	$ 112,882	$ 150,496	$ 47,947
Less: net income attributable to noncontrolling interest	8	—	—
Add: Interest expense	49,919	25,538	5,278
Provision for income taxes	44,435	56,549	33,479
Depreciation and amortization	25,632	22,311	7,153
EBITDA	$ 232,860	$ 254,894	$ 93,857
Acquisition related costs	998	201	3,216
Acquisition - integration related costs	—	—	7,000
Lease termination fees	—	421	—
Loss resulting from debt restructuring	3,628	—	—
Adjusted EBITDA	$ 237,486	$ 255,516	$ 104,073
Rent - cost of services	216,711	160,003	78,122
Adjusted EBITDAR	$ 454,197		

Components of Results of Operations

Revenue

Patient and Resident Service Revenue

Patient and resident service revenue typically represents over 97% our total revenue. Patient and resident service revenue comprises skilled nursing services revenue, revenue generated from our senior assisted living services and revenue generated from certain ancillary services provided outside of routine contractual agreements. For each of the years ended December 31, 2023, 2022, and 2021, skilled nursing services revenue represented over 99% of patient and resident service revenue.

We derive patient and resident service revenue from services rendered, under short-term contracts, to patients for skilled and intermediate nursing, rehabilitation therapy, assisted living and hospice services. This revenue is reported at the amount that reflects the consideration to which we expect to be entitled in exchange for providing patient services. These amounts are due from patients, governmental programs, and other third-party payors, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Within our skilled nursing operations, we generate revenue from Medicaid, Medicare and other payors such as commercial insurance companies, health maintenance organizations, and preferred provider organizations.

We expect patient and resident service revenue to continue to represent the vast majority of our total revenue and that such revenue will continue to increase to the extent we successfully execute on our acquisition strategy.

Additional Funding

We received funding from the U.S. Department of Health and Human Services (HHS) through the Provider Relief Fund (PRF) as we are the healthcare providers who diagnose, test, or care for individuals with cases of COVID-19 and have health care related expenses and lost revenues attributable to COVID-19. In 2023, this program ended and we do not expect to recognize any revenue based on funding through the PRF in the future.

Other Revenue

Other revenue relates to ancillary revenue generating activities and primarily consists of revenue associated with arrangements in which we are a lessor of certain facilities. Other revenue typically represents an immaterial portion of our total revenue and we expect this to continue for the foreseeable future.

Cost of Services (exclusive of rent and depreciation and amortization shown separately)

Our cost of services represents the costs of operating our operating subsidiaries, which primarily consist of payroll and related benefits, supplies, purchased services, and ancillary expenses such as the cost of pharmacy and therapy services provided to patients. Cost of services also includes the cost of general and professional liability insurance, rent expenses related to leasing our operational facilities (such as taxes, insurance, impounds, capital reserves or other charges payable under the applicable lease agreements), dietary services, contracted services and other general cost of services with respect to our operations. As we continue to execute on our acquisitions strategy and grow our business, we expect that our cost of services will continue to increase.

Rent - Cost of Services

Rent - cost of services consists solely of base minimum rent amounts payable under lease agreements to third-party real estate owners. Our operating subsidiaries lease and operate but do not own the underlying real estate and these amounts do not include taxes, insurance, impounds, capital reserves or other charges payable under the applicable lease agreements. As we continue to execute on our acquisitions strategy and expand our network of facilities, we expect that our rent - cost of services will continue to increase.

General and Administrative Expense

General and administrative expense consists primarily of payroll and related benefits and travel expenses for our PACS Services personnel, including training and other operational support. General and administrative expense also includes professional fees (including accounting and legal fees) and costs relating to our information systems. Historically, our general and administrative expense has not included any stock-based compensation. In connection with this offering, we are adopting the 2024 Plan and ESPP and we anticipate that going forward our general and administrative expense will include stock-based compensation.

We expect general and administrative expense to increase on an absolute dollar basis for the foreseeable future as we continue to increase investments to support our growth. Following this offering, we also expect that our costs will increase related to legal, audit, accounting, regulatory and tax-related services associated with maintaining compliance with exchange listing and SEC requirements, director and officer insurance costs, investor and public relations costs, and other expenses that we did not incur as a private company. We anticipate that general and administrative expense as a percentage of revenue will vary from period to period, but we expect to leverage these expenses over time as we grow our revenue.

Depreciation and Amortization

Property and equipment are recorded at their original historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets. The following is a summary of the depreciable lives of our depreciable assets:

- Buildings and improvements - minimum of 5 years to a maximum of 40 years, but generally 30 years
- Leasehold improvements - shorter of the lease term or the estimated useful life, generally 5 to 15 years
- Furniture and equipment - 3 to 15 years

Other (Expense) Income, net

Other expense, net consists primarily of interest expense related to our debt, as well as income from gains and losses from investments in partnerships, including joint ventures.

Provision for Income Taxes

Provision for income taxes consists primarily of income taxes in certain jurisdictions in which we conduct business.

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Results of Operations

Year Ended December 31, 2023 Compared to the Year Ended December 31, 2022

	Year ended December 31,		Change	
	2023	2022	$	%
	(in thousands)			
Revenue				
Patient and resident service revenue	$ 3,110,114	$ 2,399,155	$ 710,959	29.6 %
Additional funding	$ 375	21,482	$ (21,107)	(98.3)%
Other revenue	$ 1,003	1,357	$ (354)	(26.1)%
Total revenue	$ 3,111,492	$ 2,421,994	$ 689,498	28.5 %
Operating expenses				
Cost of services	$ 2,447,713	1,861,314	$ 586,399	31.5 %
Rent - cost of services	$ 216,711	160,003	$ 56,708	35.4 %
General and administrative expense	$ 213,664	149,006	$ 64,658	43.4 %
Depreciation and amortization	$ 25,632	22,311	$ 3,321	14.9 %
Total operating expenses	$ 2,903,720	$ 2,192,634	$ 711,086	32.4 %
Operating income	$ 207,772	$ 229,360	$ (21,588)	(9.4)%
Other (expense) income				
Interest expense	$ (49,919)	(25,538)	$ (24,381)	95.5 %
Other (expense) income, net	$ (536)	3,223	$ (3,759)	(116.6)%
Total other expense, net	$ (50,455)	$ (22,315)	$ (28,140)	126.1 %
Income before provision for income taxes	$ 157,317	207,045	$ (49,728)	(24.0)%
Provision for income taxes	$ (44,435)	(56,549)	$ 12,114	(21.4)%
Net income	$ 112,882	$ 150,496	$ (37,614)	(25.0)%

Revenue

Patient and resident service revenue - Patient and resident service revenue increased by $711 million or 29.6% to $3,110.1 million, for the year ended December 31, 2023, compared to the year ended December 31, 2022. For each of the years ended December 31, 2023 and 2022, skilled nursing services revenue represented more than 99.0% of patient and resident service revenue.

Skilled nursing services revenue increased by $701.3 million, or 29.3%, to $3,092.6 million for the year ended December 31, 2023, compared to the year ended December 31, 2022. This change was driven by an increase in operational beds of 6,605 from December 31, 2023 to December 31, 2022 leading to a 31.8% increase in patient days across the year. Additionally we experienced a higher occupancy rate across all facilities of 90.9% for the year ended December 31, 2023, compared to 89.9% for the year ended December 31, 2022, due to increased demand as a result of continued execution on our business model. The increases were offset by a decrease in revenue from New facilities of $225.1 million driven in part by many New facilities being acquired part way through the year and therefore having less than a full year of results.

Our skilled nursing services revenue was impacted by developments in our average daily rates and fluctuations in our payor sources. Our Medicare daily rates at Mature and Ramping facilities increased by 10.3% and 17.2%, respectively, for the year ended December 31, 2023, compared to the year ended December 31, 2022. This increase was primarily due to the 5.1% net market basket update that became effective in October 2022, offset by the removal of the temporary sequestration suspension. In 2022, Medicare daily rates included nine months of sequestration suspension with three months of sequestration suspension of 1% and six months of sequestration suspension of 2%, whereas there was no sequestration suspension in 2023.

Our average Medicaid rates increased 6.4% due to state reimbursement increases and our participation in supplemental Medicaid payment programs and quality improvement programs in various states. Medicaid rates exclude the amount of state relief revenue we recorded.

Additional funding - Additional funding revenue decreased by $21.1 million, or 98.3% to $0.4 million for the year ended December 31, 2023, compared to the year ended December 31, 2022. The decrease was primarily attributable to a reduced amount of funding from the HHS.

Other revenue - Other revenue decreased by $0.4 million, or 26.1%, to $1.0 million for the year ended December 31, 2023, compared to $1.4 million for the year ended December 31, 2022.

Cost of services

Cost of services increased by $586.4 million, or 31.5% to $2,447.7 million, for the year ended December 31, 2023, compared to the year ended December 31, 2022. The increase was primarily driven by an increase of $360.8 million in salaries and wages. Of the salaries and wages increase, those attributable to New and Ramping facilities accounted for $303.9 million or 84% of the increase. Our total number of post-acute care facilities, inclusive of skilled nursing facilities and assisted living facilities, increased from 151 as of December 31, 2022 to 208 as of December 31, 2023, an increase of 37.7%. This increase in operations and employees led to the increase in labor cost for New facilities as they were acquired throughout the year. Further, as a large number of acquisitions from 2021 moved from New to Ramping, costs shifted to the Ramping cohort. Changes attributable to Mature facilities accounted for the remaining change. Aside from labor costs, the increase in cost of services was due to increases of $95.0 million in administrative expenses for facilities increases, $62.0 million in contracted services, and $20.0 million in nursing expenses with the remainder spread out across various expense types. Of these non-labor costs, increases in New and Ramping facilities accounted for 83% of the change with Mature facilities accounting for the remaining 17%.

Rent - cost of services

Rent - cost of services increased by $56.7 million, or 35.4% to $216.7 million, for the year ended December 31, 2023, compared to the year ended December 31, 2022. The increase was primarily attributable to the addition of New facilities, which accounted for approximately 71% of the increase, with the remainder attributable to annual escalators on Mature and Ramping facilities' rent.

General and administrative expense

General and administrative expense increased by $64.7 million, or 43.4% to $213.7 million, for the year ended December 31, 2023, compared to the year ended December 31, 2022. This increase was primarily due to the continued expansion of the company and an increase in acquisitions as compared to the prior year. Of the $64.7 million increase, $53.6 million was in administrative costs, driven by $39.1 million of costs associated with litigation settlements and an increase in liabilities for professional and general liability claims. Of this $39.1 million, $21.7 million in costs were due to claims experience primarily related to the entities that were acquired from Plum. As part of the Plum acquisition, Plum's professional and general liability claims, both asserted and unasserted, remained with the acquired businesses post-acquisition, and are thus included in our results of operations subsequent to finalizing the accounting for the business combination. The Company typically acquires assets of other businesses, and the acquisition of Plum represents the only material instance in which the Company structured the related acquisition transaction as a business combination. Additionally, we had an increase of $10.6 million in salaries and wages.

Depreciation and amortization

Depreciation and amortization increased by $3.3 million, or 14.9% to $25.6 million, for the year ended December 31, 2023, compared to $22.3 million for the year ended December 31, 2022. This increase is directly attributable to new facilities acquired during the year. On a cohort basis, there was an $11.8 million increase in expense from Ramping facilities offset by a corresponding decrease to New facilities as a large number of facilities acquired in 2021 changed from New to Ramping. The decrease to New facilities was offset by an increase of $2.6 million from newly acquired facilities throughout the year.

Other expense, net

Other expense, net increased by $28.1 million, or 126.1% to $50.5 million, for the year ended December 31, 2023, compared to the year ended December 31, 2022. Other expense, net primarily consists of interest expense related to our debt, which increased by $24.4 million, to $49.9 million for the year ended December 31, 2023, compared to the year ended December 31, 2022, due to an increase in lines of credit and long-term debt of $232.8 million during the year. In the year ended December 31, 2023, Other expense, net also includes losses on extinguishment of existing debt of $3.6 million.

Provision for income taxes

Provision for income taxes totaled $44.4 million for the year ended December 31, 2023, representing an effective tax rate of 28.1%, compared to a provision for income tax of $56.5 million and an effective tax rate of 27.3% for the year ended December 31, 2022. The difference in the effective tax rate from the statutory rate is mainly due to state taxes, permanent book-tax differences, establishment of a deferred tax asset valuation allowance, and other adjustments. The decrease in provision for income taxes in 2023 compared to 2022 was primarily due to lower pre-tax book income in 2023. The effective tax rate for the year ended December 31, 2023 was higher than that for the year ended December 31, 2022, which was primarily attributable to a valuation allowance for the Captive Insurance Dual Consolidated Loss deferred tax asset. See Note 10 “Provision for Income Taxes” to our audited combined/consolidated financial statements for more information.

Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021

	Year ended December 31,		Change	
	2022	2021	$	%
		(in thousands)		
Revenue				
Patient and resident service revenue	$ 2,399,155	$ 1,135,909	$ 1,263,246	111.2 %
Additional funding	21,482	28,563	(7,081)	(24.8)%
Other revenue	1,357	2,091	(734)	(35.1)%
Total revenue	$ 2,421,994	$ 1,166,563	$ 1,255,431	107.6 %
Operating expenses				
Cost of services	1,861,314	901,095	960,219	106.6 %
Rent - cost of services	160,003	78,122	81,881	104.8 %
General and administrative expense	149,006	96,834	52,172	53.9 %
Depreciation and amortization	22,311	7,153	15,158	211.9 %
Total operating expenses	$ 2,192,634	$ 1,083,204	$ 1,109,430	102.4 %
Operating income	229,360	83,359	146,001	175.1 %
Other (expense) income				
Interest expense	(25,538)	(5,278)	(20,260)	383.9 %
Other (expense) income, net	3,223	3,345	(122)	(3.6)%
Total other expense, net	$ (22,315)	$ (1,933)	$ (20,382)	1054.4 %
Income before provision for income taxes	207,045	81,426	125,619	154.3 %
Provision for income taxes	(56,549)	(33,479)	(23,070)	68.9 %
Net income	$ 150,496	$ 47,947	$ 102,549	213.9 %

Revenue

Patient and resident service revenue - Patient and resident service revenue increased by $1,263.2 million, or 111.2%, to $2,399.2 million for the year ended December 31, 2022, compared to the year ended December 31, 2021. For each of the years ended December 31, 2022 and 2021, skilled nursing services revenue represented over 99% of patient and resident service revenue.

Skilled nursing services revenue increased by $1,258.2 million, or 111.0%, to $2,391.3 million for the year ended December 31, 2022, compared to the year ended December 31, 2021, which increase was primarily driven by an increase in revenue from New facilities of $1,059.2 million resulting from the acquisitions. Skilled nursing services revenue also increased due to increases in skilled mix by revenue and skilled mix by nursing patient days across Mature, Ramping and New facilities due to the application of Emergency Waivers under the COVID-19 PHE to skilled nursing patients and resumption of elective procedures resulting in increased demand for skilled nursing services. In addition, skilled nursing services revenue was positively impacted by a higher occupancy rate across all facilities of 89.9% for the year ended December 31, 2022, compared to 86.3% for the year ended December 31, 2021, due to increased demand as a result of continued execution on our business model.

Our skilled nursing services revenue was impacted by developments in our average daily rates and fluctuations in our payor sources. Our Medicare daily rates at Mature and Ramping facilities increased by 0.9% and 11.2%, respectively, compared to the year ended December 31, 2021. This increase was primarily due to the 1.2% net market basket update that became effective in October 2021, offset by the removal of the temporary sequestration suspension. In 2022, Medicare daily rates includes three months of sequestration suspension of 0%, three months of sequestration suspension of 1% and six months of sequestration suspension of 2% in comparison to what was in place for the entire year of 2021.

Our average Medicaid rates increased 5.8% due to state reimbursement increases and our participation in supplemental Medicaid payment programs and quality improvement programs in various states. Medicaid rates exclude the amount of state relief revenue we recorded.

Additional funding - Additional funding revenue decreased by $7.1 million, or 24.8%, to $21.5 million for the year ended December 31, 2022, compared to the year ended December 31, 2021. The decrease was primarily attributable to a reduced amount of funding from the HHS.

Other revenue - Other revenue decreased by $0.7 million, or 35.1%, to $1.4 million for the year ended December 31, 2022, compared to the year ended December 31, 2021. The decrease was primarily attributable to a reduction of fees from an external management contract in 2021 related to a facility that we acquired in 2022. Following this acquisition, the facility generated patient and resident services revenue.

Cost of services

Cost of services increased by $960.2 million, or 106.6%, to $1,861.3 million for the year ended December 31, 2022, compared to the year ended December 31, 2021. The increase was primarily driven by an increase of $612.7 million in salaries and wages. Of the salaries and wages increase, those attributable to New facilities accounted for 88% of the increase and those attributable to Ramping and Mature facilities accounted for the remaining 12%. Aside from labor costs, the increase in cost of services was due to increases of $120.5 million in contracted services, $91.4 million in administrative expenses for facilities, $40.7 million in nursing expenses, and $37.1 million in dietary expenses with the remainder spread out across various expense types. Of these non-labor costs, increases in New facilities accounted for 93% of the change with Ramping and Mature facilities accounting for the remaining 7%.

Rent - cost of services

Rent - cost of services increased $81.9 million, or 104.8%, to $160.0 million for the year ended December 31, 2022, compared to the year ended December 31, 2021. The increase was primarily attributable to the addition of

New facilities, which accounted for approximately 98% of the increase, with the remainder attributable to annual escalators on Mature and Ramping facilities' rent.

General and administrative expense

General and administrative expense increased $52.2 million, or 53.9%, to $149.0 million for the year ended December 31, 2022, compared to the year ended December 31, 2021. This increase was primarily due to a $48.0 million increase in salaries and wages of which 92% was attributable to New facilities with 8% attributable to Ramping and Mature facilities.

Depreciation and amortization

Depreciation and amortization increased by $15.2 million, or 211.9%, to $22.3 million for the year ended December 31, 2022, compared to the year ended December 31, 2021. This increase was primarily attributable to a $10.5 million increase in expense from New facilities. Additionally, there was an increase in expense of $4.7 million from Mature and Ramping facilities.

Other expense, net

Other expense, net increased by $20.4 million to $22.3 million for the year ended December 31, 2022, compared to the year ended December 31, 2021. Other expense, net primarily consists of interest expense related to our debt, which increased by $20.3 million, to $25.5 million for the year ended December 31, 2022, compared to the year ended December 31, 2021, due to an increase in lines of credit and long-term debt of $80.3 million during the year. Other expense, net also includes other income and expenses from gains and losses from investments in partnerships, including joint ventures, which decreased by $0.1 million, or 4%, to $3.2 million, for the year ended December 31, 2022, compared to the year ended December 31, 2021.

Provision for income taxes

Provision for income taxes totaled $56.5 million for the year ended December 31, 2022, representing an effective tax rate of 27.3%, compared to a provision for income tax of $33.5 million and an effective tax rate of 41.0% for the year ended December 31, 2021. The difference of the effective tax rate from the statutory rate is mainly due to state taxes, permanent book-tax difference, and other adjustments. The increase of provision for income taxes in 2022 compared to 2021 was primarily due to much higher pre-tax book income in 2022. The effective tax rate for the year ended December 31, 2022 was lower than that for the year ended December 31, 2021, which was primarily attributable to our transition from an S-Corporation to a C-Corporation during 2021 and the associated increase to the 2021 effective tax rate of 10.2% due to the recognition of prior period deferred tax liabilities. See Note 10 “Provision for Income Taxes” to our audited combined/consolidated financial statements for more information.

Holding Company Status

We are a holding company with no significant direct operating assets, employees or revenues. Our operating subsidiaries are operated by separate, independent entities, each of which has its own management, employees and assets. In addition, through a separate wholly-owned subsidiary, we provide centralized accounting, payroll, human resources, information technology, legal, risk management and other consulting and centralized services to the other operating subsidiaries through contractual relationships with those subsidiaries. We also have a wholly-owned captive insurance subsidiary that provides some claims-made coverage to our operating subsidiaries for professional liability and general liability insurance.

Liquidity & Capital Resources

Our primary sources of liquidity have historically been derived from our cash flows from operations, mortgage loans (including both Housing and Urban Development (HUD)-insured and non-HUD mortgage loans), and credit facilities maintained with commercial banks. Our liquidity as of December 31, 2023 is impacted by cash generated from strong operational performance that improved through a combination of long-term leases and real estate purchases and increased acquisitions. As of December 31, 2023, we had cash and cash equivalents of $73.4 million, total assets of $3,512.7 million, total liabilities of $3,411.0 million, and total equity of $101.7 million, compared to cash and cash equivalents of $58.3 million, total assets of $2,461.9 million, total liabilities of $2,393.2 million and total equity of $68.7 million as of December 31, 2022.

Historically, we have primarily financed the majority of our property and operation acquisitions through mortgages on our properties, our credit facilities and cash generated from operations. Cash paid to fund acquisitions was $127.0 million, $55.4 million, and $79.7 million for the years ended December 31, 2023, 2022, and 2021, respectively. Total capital expenditures for property and equipment were $45.8 million, $22.9 million, and $124.1 million for the years ended December 31, 2023, 2022, and 2021, respectively. We believe our current cash balances, our cash flow from operations and the amounts available for borrowing under our credit facilities will be sufficient to cover our operating needs for at least the next 12 months.

We may, in the future, seek to raise additional capital to fund growth, capital renovations, operations and other business activities, but such additional capital may not be available on acceptable terms, on a timely basis, or at all.

Our cash and cash equivalents as of December 31, 2023 consisted of cash and short-term investments with original maturities of three months or less at the time of purchase.

The following table presents selected data from our combined/consolidated statement of cash flows for the periods presented:

	Year ended December 31,		
	2023	2022	2021
		(in thousands)	
Net cash provided by/(used in)			
Operating activities	$ 63,697	$ 92,615	$ 57,602
Investing activities	(172,791)	(75,321)	(218,600)
Financing activities	129,592	12,350	182,048
Net increase in cash and cash equivalents	20,498	29,644	21,050
Cash, cash equivalents, and restricted cash at beginning of period	98,206	68,562	47,512
Cash, cash equivalents, and restricted cash at end of period	$ 118,704	$ 98,206	$ 68,562

Operating activities

Cash provided by operating activities is net income adjusted for certain non-cash items and changes in operating assets and liabilities.

Net cash provided by operating activities for the year ended December 31, 2023 of $63.7 million decreased by $28.9 million as compared with the same period in 2022. The decrease to net cash provided by operating activities was primarily driven by a $28.5 million decrease to net income (inclusive of adjustments for noncash expenses) and changes in working capital. Working capital balances continued to increase in 2023, however the increases were at a smaller rate than from 2021 to 2022 resulting in a decrease year-over-year in net cash provided. The primary working capital accounts contributing to the decrease in operating cash flows include accounts receivable, prepaid expenses and other current assets, accrued self-insurance liabilities, and other accrued expenses. These decreases were offset by changes to the operating assets and liability accounts other assets, accrued payroll and benefits, and other liabilities. Changes in working capital were driven by growth of the business during the year and an increase in days sales outstanding of 3.6, from 52.0 for the year ended December 31, 2022 to 55.6 for the year ended

December 31, 2023. This growth is primarily due to the increase of newly acquired facilities during the year which typically have a longer collection period due to the distressed state of many of the facilities we acquire.

Net cash provided by operating activities for the year ended December 31, 2022 of $92.6 million increased by $35.0 million as compared with the same period in 2021. The increase to net cash provided by operating activities was primarily driven by the $124.9 million increase to net income (inclusive of adjustments for non-cash expenses) offset by changes in working capital. Changes in working capital were driven by growth of the business during the year and timing of collections of accounts receivable, including an increase in days sales outstanding, and of accrued wages and related liabilities. Days sales outstanding was 52.0 and 48.4 for the years ended December 31, 2022 and 2021, respectively, growing primarily due to the increase of New facilities which typically have a longer collection period due to the distressed state of many of the facilities we acquire.

Investing activities

Investing cash flows consist primarily of capital expenditures, investment activities, proceeds from sale of property and equipment and cash used for acquisitions.

Net cash used in investing activities for the year ended December 31, 2023 of $172.8 million increased by $97.5 million as compared with the same period in 2022. The increase in cash used was primarily attributable to an increase of $71.6 million in cash used to acquire facilities and an increase of $22.9 million in cash used to purchase property and equipment, in excess of cash used for these purposes in 2022. Further, in 2023 we made an additional $2.6 million investment in partnerships as opposed to no cash used for this purpose in 2022.

Net cash used in investing activities for the year ended December 31, 2022 of $75.3 million decreased by $143.3 million as compared with the same period in 2021. This decrease was primarily attributable to a decrease in acquisitions in 2022 as compared to 2021, in which a large portfolio of facilities was acquired consisting of a cash outflow of $104.2 million. Additionally, in 2022 we did not make any additional investments in partnerships as compared to 2021 which had related cash outflows of $15.7 million.

Financing activities

Financing cash flows consist primarily of payment of lines of credit, distributions and repayment of short-term and long-term debt, borrowings on lines of credit and contributions from non-controlling interest.

Net cash provided by financing activities for the year ended December 31, 2023 of $129.6 million increased by $117.2 million as compared with the same period in 2022. The increase was primarily driven by a year-over-year increase of $322.3 million in net cash flow on lines of credit. This increase was offset by a year-over-year decrease of $182.3 million in net cash flow on long-term debt. This activity was due to a debt restructuring that occurred during 2023 as described in the Credit Facilities and Long-term Debt sections below. Dividends also increased $20.1 million in 2023.

Net cash provided by financing activities for the year ended December 31, 2022 of $12.3 million decreased by $169.7 million as compared with the same period in 2021. The decrease was primarily driven by a decrease of $306.4 million in borrowing on our lines-of-credit offset by a decrease of $233.0 million in payments on the lines-of-credit. Also contributing to the decrease in net cash provided by financing activities, we had a decrease of $73.6 million in borrowings of long-term debt and an increase of $19.5 million in payments on long-term debt. The high level of borrowings in 2021 was primarily related to the high acquisition activity in that year. Dividends also increased $6.5 million in 2022.

Material cash requirements from known contractual and other obligations

Total long-term debt obligations outstanding as of the end of each fiscal year were as follows:

	Year ended December 31, 2023	2022
	(in thousands)	
Lines of credit	$ 520,000	$ 146,820
Mortgage loan and promissory notes	$ 215,010	$ 356,232
Total	$ 735,010	$ 503,052

Significant contractual obligations as of December 31, 2023 were as follows, including the future periods in which payments are expected:

	2024	2025	2026	2027	2028	Thereafter	Total
				(in thousands)			
Operating lease obligations	$ 220,272	$ 220,997	$ 220,331	$ 217,976	$ 219,679	$ 1,900,357	$ 2,999,612
Finance lease obligations	$ 3,843	$ 23,560	$ 2,241	$ 17,995	$ 782	$ 390	$ 48,811
Long-term debt and line of credit obligations	$ 16,822	$ 13,278	$ 3,545	$ 2,772	$ 522,770	$ 175,823	$ 735,010
Interest payments on long-term debt	$ 8,744	$ 8,071	$ 7,627	$ 7,511	$ 7,397	$ 129,801	$ 169,151
Total	$ 249,681	$ 265,906	$ 233,744	$ 246,254	$ 750,628	$ 2,206,371	$ 3,952,584

Credit facilities

On February 28, 2023, we entered into a working capital loan agreement (Working Capital Loan) in connection with the acquisition of various new facilities. The Working Capital Loan allowed us to borrow up to $17.5 million at an annual interest rate of 9%. On May 8, 2023, we drew on the Working Capital Loan in the amount of $15.0 million. As described below, the Working Capital Loan was repaid during the year and, as such, has a zero balance as of December 31, 2023.

On June 30, 2023, PACS Group, Inc., as holdings, PACS Holdings, LLC, as borrower, and certain of their subsidiaries entered into a credit agreement with Truist Bank (Truist) and a syndicate of lenders (2023 Credit Agreement) that extended credit in the form of a revolving credit facility thereunder (2023 Revolving Credit Facility), including letter of credit and swing line sub facilities, and a term loan facility (Truist Term Loan), together referred to as the 2023 Credit Facility. The 2023 Credit Agreement provided for: (i) the 2023 Revolving Credit Facility with revolving commitments in an aggregate principal amount of $150.0 million, including a letter of credit sub facility in an amount representing that portion of the aggregate revolving commitments that may be used by the borrower for the issuance of letters of credit in an aggregate face amount not to exceed $30.0 million and a swingline loan sub facility in an aggregate principal amount at any time outstanding not to exceed $20.0 million and (ii) the Truist Term Loan in an aggregate principal amount of $275.0 million.

Outstanding borrowings under the 2023 Credit Facility accrued interest, at our option, equal to either: (a) the Secured Overnight Financing Rate (SOFR) plus a margin ranging from 2.50% to 3.50% per annum; or (b) the Base Rate (which was defined in a customary manner for credit facilities of this type) plus a margin ranging from 1.50% to 2.50% per annum. The applicable margin was based on the Total Leverage Ratio (which was defined as the ratio of (x) total indebtedness of PACS Group, Inc. and its subsidiaries less up to $50.0 million of unrestricted cash to (y) the consolidated EBITDA of PACS Group, Inc. and its subsidiaries). In addition, we agreed to pay a commitment fee on the unused portion of the 2023 Revolving Credit Facility, which ranged from 0.30% to 0.50% per annum, depending on the Total Leverage Ratio.

In connection with executing the 2023 Credit Agreement, deferred financing costs associated with both lines-of-credit and long-term debt of $3.1 million were written off, and additional deferred financing costs of $9.7 million were capitalized during the year ended December 31, 2023. In addition, on the closing date of the 2023 Credit Agreement, we drew $75.0 million on the 2023 Revolving Credit Facility and borrowed the entirety of the $275.0 million Truist Term Loan. We used approximately $142.0 million of such proceeds to repay certain outstanding indebtedness on prior lines of credit and the Working Capital Loan.

On December 7, 2023, we amended and restated the 2023 Credit Facility (Amended and Restated 2023 Credit Facility). The Amended and Restated 2023 Credit Facility provides for revolving commitments in an aggregate principal amount of $600.0 million, which revolving commitments may also be utilized for (x) the issuance of letters of credit in an aggregate face amount not to exceed $50.0 million and/or (y) the borrowing of swingline loans in aggregate principal amount not to exceed $20.0 million at any time outstanding.

Outstanding borrowings under the Amended and Restated 2023 Credit Facility bear interest, at our option, based on (a) SOFR (plus a 0.10% credit spread adjustment) or the Base Rate (which is defined consistent with the 2023 Credit Facility), in each case, plus a margin ranging from 2.25% to 3.25% for SOFR borrowings and 1.25% to 2.25% for Base Rate borrowings based upon our Total Leverage Ratio (which is defined consistent with the 2023 Credit Facility) as determined with reference to our most recently delivered financial statements. In addition to interest paid on all outstanding revolving loans, we are required to pay (i) a commitment fee on the unused portion of the revolving commitments, which ranges from 0.25% to 0.45% per annum based upon our Total Leverage Ratio as determined with reference to our most recently delivered financial statements, (ii) a letter of credit fee in respect of each revolving lender’s participation in each outstanding letter of credit, which is based on the then applicable margin for SOFR loans, and (iii) other fees customary for credit facilities of this type.

Upon the closing of the Amended and Restated 2023 Credit Facility, we borrowed $460.0 million of revolving loans, the proceeds of which were used to repay and refinance all term loans and revolving loans under the 2023 Credit Facility, to repay certain other outstanding indebtedness, and to pay transaction costs in connection with the Amended and Restated 2023 Credit Facility. Deferred financing costs associated with both lines-of-credit and long-term debt of $0.5 million were written off as part of the refinance during the year ended December 31, 2023.

The Amended and Restated 2023 Credit Facility contains affirmative and negative covenants customary for credit facilities of this type as well as two financial covenants, a total leverage financial covenant and a fixed charge coverage ratio financial covenant. The leverage covenant requires that we maintain a Total Leverage Ratio of not greater than 3.00:1.00 as of the end of each fiscal quarter (calculated for the four consecutive fiscal quarter period ending on the applicable date of determination), commencing with the fiscal quarter ending December 31, 2023. The fixed charge coverage ratio financial covenant requires that we maintain a Fixed Charge Coverage Ratio (as defined in the Amended and Restated 2023 Credit Facility) of not less than 1.10:1.00 as of the end of each fiscal quarter (calculated for the four consecutive fiscal quarter period ending on the applicable date of determination), commencing with the fiscal quarter ending on December 31, 2023. We were in compliance with all such covenants and restrictions as of December 31, 2023.

We maintain the Amended and Restated 2023 Credit Facility as our single line-of-credit. At December 31, 2023, the total commitment limit continues to be $600.0 million and was secured by PACS Group Inc. assets. The agreements mature on December 7, 2028. The balance outstanding on all applicable lines was $520.0 million at December 31, 2023, resulting in available cash of $80.0 million. We had no letters of credit outstanding as of December 31, 2023 and had $22.4 million in letters of credit outstanding as of December 31, 2022.

As of December 31, 2022, we maintained several other lines-of-credit with commercial banks. At December 31, 2022, the total commitment limit amounted to $176.0 million and was secured by PACS Group, Inc. assets. These agreements bear interest at rates ranging from LIBOR to LIBOR plus 3.5% and SOFR plus 3.15%. The agreements matured through November 5, 2024. The balance outstanding on these other applicable lines was $146.8 million at

December 31, 2022, resulting in available cash of $29.2 million. As discussed above, these other lines-of-credit were closed in connection with executing the 2023 Credit Agreement.

Deferred financing fees on lines-of-credit were $15.1 thousand and $4.2 thousand as of December 31, 2023 and 2022, respectively. Amortization expense relating to deferred financing fees on lines-of-credit for the year ended December 31, 2023 was $889.3 thousand, and was immaterial for each of the years ended December 31, 2022 and 2021. Accumulated amortization related to deferred financing fees on lines-of-credit was $0.2 thousand and $2.8 thousand for the years ended December 31, 2023 and 2022, respectively.

Long-term debt

During the years ended December 31, 2023 and 2022, some of our subsidiaries entered into Department of Housing and Urban Development (HUD)-insured mortgage loans in the aggregate amount of $88.8 million and $7.0 million, respectively. As a result, eight of our subsidiaries had mortgage loans insured with HUD in the aggregate amount of $166.2 million as of December 31, 2023, of which $2.3 million is classified as short-term and the remaining $163.8 million is classified as long-term. As of December 31, 2022, our subsidiaries had HUD-insured mortgage loans in the aggregate amount of $79.0 million of which $1.5 million was classified as short-term and the remaining $77.5 million was classified as long-term. These subsidiaries are subject to HUD-mortgage oversight and periodic inspections. As of December 31, 2023, our HUD-insured mortgage loans bear fixed interest rates ranging from 2.4% to 6.3% per annum and have various maturity dates through December 31, 2058. In addition to the interest rate, we incur other fees for HUD placement, including but not limited to audit fees. Amounts borrowed under the mortgage loans may be prepaid, subject to prepayment fees based on the principal balance on the date of prepayment. The original terms for all the HUD-insured mortgage loans are 30 to 35 years.

In addition to the HUD-insured mortgage loans above, we have 12 other mortgage loans or promissory notes. The non-HUD insured mortgage loans and notes bear interest rates in the range of 2.0% and 8.0% per annum with various maturity dates through June 1, 2027. The notes are secured by equipment and guarantees by PACS Group, Inc. and its stockholders. As of December 31, 2023 and 2022, we had $48.8 million and $277.2 million, respectively, of debt principal outstanding under the mortgage loans and promissory notes, of which $14.5 million is classified as short-term and the remaining $34.4 million is classified as long-term as of December 31, 2023, and $59.9 million is classified as short-term and the remaining $217.3 million is classified as long-term as of December 31, 2022.

Operating and finance leases

We lease most of our skilled nursing and assisted living facilities, as well as office space and certain vehicles and equipment, under various non-cancelable operating lease agreements. These operating leases expire at various dates throughout 2049.

Substantially all operating leases for skilled nursing and assisted living facilities are on a “triple-net” basis, which require lessees to pay for all insurance, repairs, utilities, and real property taxes assessed on the leased property, and most of the leases are guaranteed by us and/or our stockholders.

For 11 of the facility operating leases, we hold an option to purchase the real estate which can be exercised at varying times starting September 9, 2021 through January 31, 2038. At lease inception it was determined that the exercise of these purchase options was not reasonably assured.

At our option, the facility leases are generally renewable for additional terms ranging from 3 to 30 years. All facility leases provide for an additional percentage rent based upon specified rates per the terms of the agreements.

We also lease certain skilled nursing and assisted living facilities under finance lease agreements. The economic substance of each lease is that we are financing the facilities through the lease. The lease terms of these finance leases allow for a purchase option during a specified window. We have determined that we are reasonably certain to exercise the purchase option at the end of each purchase option window. Therefore, we have calculated the lease term through the end of the purchase option window for each lease.

Inflation

We have historically derived a substantial portion of our revenue from the Medicare program. We also derive revenue from state Medicaid and similar reimbursement programs. Payments under these programs generally provide for reimbursement levels that are adjusted for inflation annually based upon the state's fiscal year for the Medicaid programs and in each October for the Medicare program. These adjustments may not continue in the future, and even if received, such adjustments may not reflect the actual increase in our costs for providing healthcare services.

Labor, supply expenses and capital expenditures make up a substantial portion of our cost of services. Those expenses can be subject to increase in periods of rising inflation and when labor shortages occur in the marketplace. To date, we have generally been able to implement cost control measures or obtain increases in reimbursement sufficient to offset increases in these expenses. There can be no assurance that we will be able to anticipate fully or otherwise respond to any future inflationary pressures.

Off-Balance Sheet Arrangements

We may enter into off-balance sheet arrangements and transactions that can give rise to material off-balance sheet obligations. As of December 31, 2023, there were no material off-balance sheet arrangements and transactions, however, we may enter into such contractual arrangements in the future in order to support our business plans. There are no other transactions, arrangements or other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect our liquidity or availability of our capital resources.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based on our combined/consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these combined/consolidated financial statements and related disclosures requires us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined/consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. We believe that the application of the following accounting policies, which are important to our financial condition and results of operations, require significant judgments and estimates on the part of management. See Note 2 "Summary of Significant Accounting Policies" to our audited combined/consolidated financial statements for a summary of our significant accounting policies, including the accounting policies discussed below.

Revenue Recognition- Revenue recognized from healthcare services is adjusted for estimates of variable consideration to arrive at the transaction price. We determine the transaction price based on contractually agreed-upon amounts or rates, adjusted for estimates of variable consideration. Variable consideration includes estimates of implicit price concessions so that the estimated transaction price is reflective of the amount to which we expect to be entitled in exchange for providing the healthcare services to customers. If actual amounts of consideration ultimately received differ from the estimates, we adjust these estimates, which would affect net service revenue in the period such variances become known.

Accrued Risk Reserves- We are principally self-insured for risks related to professional and general liability. Accrued risk reserves include the accrual for risks associated with professional liability claims and include a liability for unpaid reported claims and estimates for incurred but unreported claims.

We utilize a wholly owned captive insurance subsidiary to provide coverage to our various consolidated operating subsidiaries related to professional and general liability insurance. The related assets and liabilities of this consolidated subsidiary are included in the accompanying financial statements.

Our policy is to accrue amounts using the information obtained from the actuarially determined estimated costs to settle open claims of insureds, as well as an estimate of the cost of insured claims that have been incurred but not reported. We develop information about the size of the ultimate claims based on historical experience, current industry information and actuarial analysis, and evaluate the estimates for claim loss exposure on a quarterly basis. We use actuarial valuations to estimate the liability based on historical experience and industry information.

Recent Accounting Pronouncements

See Note 2 "Summary of Significant Accounting Policies" to our audited combined/consolidated financial statements for a description of recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of the date of this prospectus.

Qualitative and Quantitative Disclosure About Market Risk

We are exposed to risks associated with market changes in interest rates through our borrowing arrangements. As of December 31, 2023, we had approximately $520.0 million of variable rate debt, none of which was subject to an interest rate hedge. In particular, our credit facility exposes us to variability in interest payments due to changes in SOFR interest rates. We manage our exposure to this market risk by monitoring available financing alternatives. Our mortgages and promissory notes require principal and interest payments through maturity pursuant to amortization schedules.

Our mortgages generally contain provisions that allow us to make repayments earlier than the stated maturity date. In some cases, we are not allowed to make early repayment prior to a cutoff date. Where prepayment is permitted, we are generally allowed to make prepayments only at a premium which is often designed to preserve a stated yield to the note holder. These prepayment rights may afford us opportunities to mitigate the risk of refinancing our debts at maturity at higher rates by refinancing prior to maturity.

Our cash and cash equivalents as of December 31, 2023 consisted of cash and short-term investments with original maturities of three months or less at the time of purchase. Risks due to changing interest rates impact the return we realize related to our cash and short-term investment balances.

As of December 31, 2023, we had outstanding indebtedness under mortgage loans insured with HUD and two promissory notes to third parties of $184.3 million, all of which are at fixed interest rates.

The above only incorporates those exposures that exist as of December 31, 2023 and does not consider those exposures or positions which could arise after that date.

BUSINESS

Business Overview

We are a leading post-acute healthcare company primarily focused on delivering high-quality skilled nursing care through a portfolio of independently operated facilities. Founded in 2013, we are one of the largest skilled nursing providers in the United States based on number of facilities, with over 200 post-acute care facilities across nine states serving over 20,000 patients daily. We also provide senior care, assisted living, and independent living options in some of our communities. Our significant historical growth has been primarily driven by our expertise in acquiring underperforming long-term custodial care skilled nursing facilities and transforming them into higher acuity, high value-add short-term transitional care skilled nursing facilities. We believe our success is driven in significant part by our decentralized, local operating model, through which we empower local leaders at each facility to operate their facility autonomously and deliver excellence in clinical quality and a superior experience for our patients. We provide our independently operated facilities with a comprehensive suite of technology, support, and back-office services that allow local leadership teams to focus more of their time and effort on providing quality care to patients. We believe our operating model delivers value to all of our healthcare stakeholders, including patients and families, referring providers, payors, and administrators and clinicians.

The post-acute care ecosystem serves individuals who need additional help recuperating from acute conditions, illnesses, or serious medical procedures after they have been discharged from the hospital. This ecosystem ranges from higher acuity, higher-cost settings, such as long-term acute care hospitals and inpatient rehabilitation facilities, to lower acuity, lower-cost settings, such as assisted living facilities, and home health. Skilled nursing facilities (SNFs) are positioned at the center of this ecosystem and play an essential role in providing cost efficient facility-based care to patients that have been discharged from hospitals but still require 24-hour in-patient services. SNFs can provide both long-term custodial care and higher value short-term transitional care. The SNF industry is large and growing, with the Centers for Medicare & Medicaid Services (CMS) expecting total industry expenditures to increase from $193.6 billion in 2022 to $283.3 billion in 2031, representing a compound annual growth rate (CAGR) of 4.3%. Based on the number of facilities as reported by CMS, we are one of the largest SNF operators in the United States. We are primarily focused on providing higher value short-term transitional care and believe we are uniquely positioned to capitalize on the current underlying trends within the SNF industry and to capture a growing portion of the expected demand.

We believe that healthcare is local and we operate through a decentralized model, recognizing that each patient, facility, and community is unique. To that end, we believe that our local leaders and employees understand the distinct needs and priorities of their patients, staff, and facilities and are best positioned to make clinical and operational decisions in order to optimize patient outcomes and experience. To facilitate this, each of our facilities operates independently, led by a facility administrator and his or her interdisciplinary team of medical directors, nurses, therapists, specialty consultants, and operators. To assist these local teams in achieving their best clinical and operating potential, we provide each facility with access to PACS Services. PACS Services is a comprehensive suite of offerings, including accounting, finance, human resources, payroll, accounts receivable and payable, legal, and risk management services, as well as a robust suite of technology tools. We operate in a highly regulated industry with stringent regulatory compliance obligations, which requires robust regulatory compliance operations. Failure to operate in compliance with applicable laws and regulations could require significant expenditures and result in regulatory deficiencies and other regulatory penalties. PACS Services functions to support our regulatory compliance obligations across our organization, including through controlled billing and cost reporting practices and legal, risk management, and compliance support. PACS Services also provides teams of regional professionals available as resources to each facility, including a regional vice president (RVP) and regional clinical and non-clinical directors and consultants. We developed PACS Services to be a resource to help reduce administrative burden so that local leadership teams can focus on making decisions that improve the care, well-being, and quality of life of their patients.

We believe that talented local leadership is critical to the success of our model of independently operated, centrally supported facilities. At the facility level, administrators are effectively the chief executive officers, and together with other local licensed professionals, are ultimately responsible for the operations of their respective facilities. We seek to recruit, train, and reward dynamic administrators for our facilities, and rely on them to work with their interdisciplinary teams to implement policies and procedures that are appropriate and effective and result in positive outcomes. We support the delivery of excellent care by building excellent teams. We believe our model attracts high caliber, entrepreneurial professionals who value having considerable autonomy, accountability, and aligned incentives. We provide these professionals with leadership and industry training, guidance, and operational support. Our model is intended to align local leaders' incentives with facility and organizational success, encouraging them to dedicate themselves to the long-term future of their facilities. To create such alignment, we have developed an administrator compensation structure that prioritizes quality of care and operational and financial performance. Our administrators understand that a well-performing facility is the result of providing quality care in an environment of healing and caring, and one that is appropriately staffed, supplied, and equipped to meet the needs of its patients. This dedicated focus by our administrators and their local teams on patient outcomes drives demand for our services and can ultimately result in higher patient census and profitability. We also seek to provide opportunities for upward career mobility, with many of our administrators being promoted from within our company to roles of increasing levels of responsibility. Our culture of meritocracy and pride of ownership has helped us retain experienced facility administrators as well as RVPs who had average industry experience of 12.1 years as of December 31, 2023. For the year ended December 31, 2023, we had a voluntary turnover rate of 3.1% among our facility administrators.

Excellence in clinical quality and experience for our patients is at the forefront of our mission. We believe our focus on quality is reflected in our CMS Quality Measures (QM) Star rating, occupancy rate, and skilled mix by nursing patient days (which refers to the number of days our Medicare and managed care patients receive skilled nursing services at SNFs as a percentage of the total number of days that patients from all payor sources receive skilled nursing services at SNFs for any given period). The QM Star rating is a number between 1 and 5 that is assigned to SNFs that participate in Medicare or Medicaid, and is based on an aggregate score across a range of quality reporting program requirements. As of December 31, 2023, 2022 and 2021, our average QM Star rating across our Mature facilities was 4.2, 4.4 and 4.3 Stars, respectively, compared to the industry average of 3.6, 3.7 and 3.7 Stars, respectively. For the years ended December 31, 2023, 2022 and 2021, our average occupancy rate across our Mature facilities, which we define as facilities purchased more than 36 months prior to the measurement date, was 93%, 92%, and 88%, respectively, compared to the industry average of 76%, 74% and 71%, respectively. For the year ended December 31, 2023, our skilled mix by nursing patient days was 32%.

We have historically grown primarily through our disciplined and balanced acquisition strategy. We aim to create value by identifying and acquiring underperforming custodial care facilities and converting them into higher-value short-term transitional care facilities by investing in clinical teams and processes and upgrading technology, equipment, training, staffing, aesthetics, and other aspects of the business. The resources and guidance offered by PACS Services is key to rapid integration of new facilities and provides our local leadership teams with an effective technology infrastructure, support tools, and regional support teams that allow local leadership to focus on operational improvements. Our facilities generally undergo an up to three-year post-acquisition transition period. During this period, we seek to implement best practices designed to realize and sustain the facility's full potential. These practices often result in significant improvements to clinical quality and other operational metrics, including skilled mix, occupancy rates and payor contracting. We believe the results of our acquisition strategy are demonstrated by our high average QM Star rating and occupancy rate for Mature facilities of 4.2 and 93%, respectively, as of December 31, 2023. As of December 31, 2023, the average QM Star rating and occupancy rate for New facilities, which we define as facilities purchased less than 18 months prior to the measurement date, was 3.9 and 87%, respectively.

Our portfolio of owned and leased properties is strategically located in nine states: Arizona, California, Colorado, Kentucky, Missouri, Nevada, Ohio, South Carolina and Texas. We anticipate that available acquisition opportunities will enable us to further penetrate our reach into these nine states and to enter new states in the future. We believe our current markets are attractive and that the states in which we operate each has unique benefits, such as favorable reimbursement dynamics, high barriers to entry, or population growth of adults aged 65 and older, which is our primary patient demographic. We generally look for similar attributes in new markets that we enter. As of December 31, 2023 we leased 165 facilities, directly owned the real estate at 29 facilities, and owned partial interests in an additional 14 facilities through joint ventures managed by third parties. As we continue to grow, we intend to explore additional purchases of real-estate assets, through purchase options or right-of-first refusals in existing leases, as well as acquisitions and de novo construction of purpose-built facilities.

For the year ended December 31, 2023, we generated total revenue of $3.1 billion, representing a CAGR of 63.3% over the last three years. A substantial portion of our revenue is generated from payments from third-party payors, including Medicare and Medicaid, which represent our largest sources of revenue and accounted for 38.6% and 37.6% of our routine revenue for the year ended December 31, 2023, respectively. For the year ended December 31, 2022, we generated total revenue of $2.4 billion, and Medicare and Medicaid accounted for 47.6% and 30.2% of our total revenue, respectively. For the year ended December 31, 2023, we generated net income of $112.9 million, total operating expense of $2.9 billion and Adjusted EBITDA of $237.5 million, representing a CAGR of 53.4%, 63.7% and 51.1%, respectively, over the last three years. For the year ended December 31, 2022, our total operating expenses were $2.2 billion and we generated net income of $150.5 million and Adjusted EBITDA of $255.5 million. As of December 31, 2023, we had total long-term liabilities of $3.0 billion. Adjusted EBITDA is a non-GAAP financial measure. See the section titled "Management's Discussion and Analysis of Financial Conditions and Results of Operations—Key Skilled Services Metrics and Non-GAAP Financial Measures—Non-GAAP Financial Measures" for a reconciliation of Adjusted EBITDA to the most directly comparable GAAP financial measure.

Our Operating Model

Decentralized Operations

Our decentralized model is informed by our beliefs that "healthcare is local" and that each patient, facility and community is unique. Our administrators have autonomy in the decision-making process because they know what is best for their community and their markets. Our over 200 post-acute facilities are independently operated by autonomous local teams with robust administrative and consulting support from our PACS Services.

Each of our facilities is led by an experienced and highly qualified local facility administrator, who serves in effect as a "local CEO," alongside an interdisciplinary team of medical directors, clinicians, specialty consultants, and operators. In addition to a full clinical team of certified nursing assistants (CNAs), licensed practical nurses (LPNs), registered nurses (RNs), directors of nursing (DONs), and clinical directors, each facility has a local team of non-clinical staff including supervisors, admissions professionals, marketing professionals, and other business support personnel who have the common goal of providing excellent care and superior experiences for patients.

We provide PACS Services to each of our facilities, which includes support through a regional team of seasoned, highly qualified, cross-functional professionals, and led by an RVP. The team also includes regional clinical support personnel (such as directors of therapy, quality assurance, medical records, and clinical services personnel) as well as non-clinical personnel such as regional directors of recruitment and accounts receivable and payable, reimbursement, and risk and compliance personnel. As of December 31, 2023, we had 14 RVPs and regional teams who each cover an average of 14.9 facilities within a region and have an intimate understanding of the intricacies and challenges of the post-acute industry. We place the utmost importance on clinical quality, and as a result, many employees that provide PACS Services are clinicians by trade.

Technology and Services

Our technology focus delivers real-time data access to caregivers and administrators, allowing delivery of the best care at the right time. We have invested into internally developed and third-party technologies that comprise part of PACS Services. This robust suite of technologies helps support facility administrators, clinicians, and local teams by providing them with valuable tools to enable them to reduce the time and effort they spend on administrative tasks so that they can better focus on providing quality care and driving efficient business operations. PACS Services includes access to an industry-leading, third-party Electronic Health Record system, and a singular Enterprise Resource Program. In addition, we have internally developed an operational dashboard that is custom-built to provide invaluable tools and real-time data insights to our local teams in order to enhance resource management and improve the delivery of care. This app-based, mobile technology integrates facility-level detail on admissions, occupancy, revenue, staffing, collections, and other key operational data points. Our technology platform enables local leaders and regional teams to continually review and monitor this data, which allows them to be agile in assessing the ongoing needs of their facility and to more easily identify and address the unique needs and priorities.

With this readily-available, real-time data, our local leaders are able to more easily assess what works well in their facilities and can appropriately manage their operations and share best practices with their colleagues within the company. This data also facilitates greater risk management and compliance efforts, as financial and clinical information can be analyzed, which we believe helps promote accountability across the company. Across the company, we use insights from our data management tools to benchmark performance, manage expenses, monitor risk, and manage compliance.

We believe PACS Services provides technology systems and support infrastructure that can enable seamless integration of new facilities and help to reduce risk when we acquire new facilities.

Clinical and Operational Leadership

We believe we are an employer-of-choice in the SNF industry and have attracted highly qualified local leadership and clinicians. Our facility-forward model helps attract and retain motivated professionals whom we provide with extensive training, professional guidance by seasoned experts, and access to best practices. We offer challenging and fulfilling opportunities for clinicians to gain meaningful experience treating higher acuity patients. Through work-education programs, we also offer many of our clinicians the opportunity to improve or enhance their clinical licenses with sponsored certification programs. We believe we are at the forefront of enabling operators and clinicians to operate in their highest value capacity and at the best of their professional capabilities.

Our Administrator-in-Training program, geared towards recent college graduates, and our PACS Professional Program for experienced nursing home administrators, both provide valuable, intensive training and mentorship to help aspiring PACS administrators build important skills, such as operational systems management, administrative effectiveness, and leadership and people development. Our placement process assesses skill sets, qualifications, and career interests in order to pair leaders with the facilities and teams that will be a good fit.

Our frontline CNAs, LPNs, and RNs are also encouraged to participate in our internal continuing education programs, as well as outside programs, to help them continue to develop their skills and to meet any mandated continuing education requirements. We also offer our clinicians and other personnel educational assistance to enable them to sharpen their skills and enhance their capabilities.

Disciplined Acquisition Playbook

We have an established track record of successful acquisitions. Our significant historical growth has been primarily driven by implementing our expertise in acquiring underperforming long-term custodial care SNFs and converting them into higher acuity, high value-add short-term transitional care SNFs. In pursuing each acquisition opportunity, we employ a disciplined evaluation process to identify facilities that meet our acquisition criteria and strategic priorities. We believe our framework and focused approach for acquisitions has contributed to our overall success. Our approach involves:

- **Sourcing and evaluation.** We have developed specific acquisition criteria to drive efficient sourcing and growth, and we continually monitor our pipeline of suitable acquisition targets. We believe we have a reputation as an acquiror-of-choice, which has led to regular inbound opportunities from small operators, larger platforms, and industry partners, such as landlords, brokers, and REITs.

- **Integration and execution.** Prior to and following closing of an acquisition, we perform a full facility evaluation focused on operational, clinical, financial, and administrative functions. Through this evaluation, we develop a detailed action plan with goals for IT integration and implementation of best practices led by facility administrators. We believe that administrators can create immediate additional value through technology integrations and then drive continued growth over time with improvements to clinical quality, operations, and financial performance. Our facilities generally undergo an up to three-year post-acquisition transition period. During this period, our integration efforts and implementation of best practices often result in significant improvements to clinical quality and other operational metrics. We believe the results of our strategy are demonstrated by our high average QM Star rating and occupancy rate for Mature facilities of 4.2 and 93%, respectively, as of December 31, 2023. By comparison, the average QM Star rating and occupancy rate for New facilities was 3.9 and 87%, respectively, as of December 31, 2023.

Our Diversified Portfolio of Properties

We have a diverse portfolio of facilities that are located in selected attractive markets. A majority of our facilities are leased, with our remaining facilities either wholly-owned or partially-owned through joint ventures managed by third parties. Real-estate ownership is a key component of our growth strategy as it can provide balance sheet support as an inflationary hedge, provide capital flexibility as a source of asset collateral, reduce the burden of leases and restrictive agreements, and allow us the opportunity to create additional value in improving distressed assets.

The following is a summary of our leased and owned facilities:

- ***Leased Properties.*** As of December 31, 2023, we had 179 leased facilities. The majority of these leased facilities are in California, with the remainder in Arizona, Colorado, Kentucky, Missouri, Nevada, Ohio, South Carolina, and Texas. We leverage our financial and operational condition to negotiate favorable lease terms, including low annual rent escalators, long expiration dates, and purchase options. As of December 31, 2023, our weighted average annual lease escalator was 2%, our average monthly lease expense per bed was $873 per bed, our average remaining lease term across our portfolio was approximately 15 years, and we had 11 total purchase options and 3 right of first refusals that we may exercise in future years.

- ***Owned Properties.*** We have historically purchased the real-estate assets for certain of the post-acute care facilities we operate. Many of our owned properties were acquired with limited cash outlay while in a distressed state, or through the exercise of a purchase option that was originally negotiated while in a distressed state. We seek to create value in our properties by purchasing these distressed facilities and making improvements under our operations and ownership. As of December 31, 2023 we owned 29 post-acute care facilities, and we have investments in joint ventures that own the underlying real estate and related improvements of 14 post-acute care facilities that are operated by other PACS Group subsidiaries. The majority of our owned real-estate properties are located in California, South Carolina, Texas, and Kentucky. We have also explored facility ownership through de-novo, or new-build, facilities where we construct facilities and own them. Since 2013, we have opened or are in the process of opening 7 de-novo facilities.

We classify each of our facilities into three distinct categories based on the amount of time that has passed since acquisition: Mature, Ramping and New. Mature facilities are defined as facilities purchased more than 36 months prior to a respective measurement date. Ramping facilities are defined as facilities purchased within 18 to 36 months prior to a respective measurement date. New facilities are defined as facilities purchased less than 18 months prior to a respective measurement date. As of December 31, 2023, we operated 65 Mature facilities, 77 Ramping facilities, and 66 New facilities. For the year ended December 31, 2023, our Mature, Ramping, and New facilities generated skilled nursing services revenue of $1.1 billion, $0.9 billion, and $1.1 billion, respectively.

We believe our success in improving our acquired properties is reflected in the average QM Star rating, occupancy rate, and skilled mix by revenue for each of our Mature, Ramping and New facilities, depicted in the table below for the year ended December 31, 2023:

	Year Ended December 31, 2023		
	Mature facilities	Ramping facilities	New facilities
Average QM Star rating	4.2	4.2	3.9
Occupancy rate (operational beds)	93 %	93 %	87 %
Skilled mix by revenue	59 %	55 %	51 %

As of December 31, 2023, our facilities had an average QM Star rating of 4.1 Stars compared to the industry average of 3.6 Stars, and an average occupancy rate of 91% compared to the industry average occupancy rate of 76%. See the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Skilled Services Metrics and Non-GAAP Financial Measures." We believe our strategy drives these results and is central to our ability to develop acquired facilities into higher performing facilities over time. For example, based on an analysis of the 24 facilities that we have acquired since 2018 and that have developed into Mature facilities as of December 31, 2023, we estimate that we were able to increase the occupancy rate and QM Star rating for acquired facilities by an average of 19% and 0.4 stars, respectively, as they progressed from New facilities to Mature facilities.

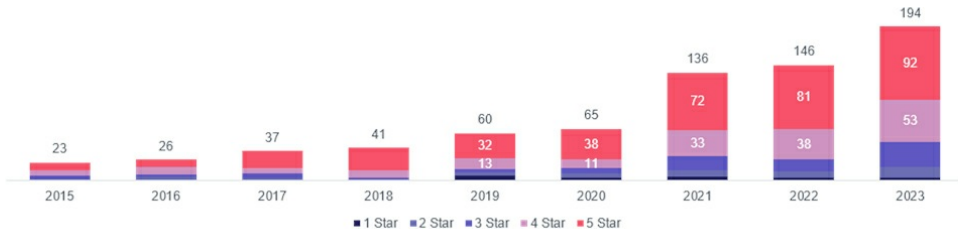
We believe the success of our strategy is further exemplified by our historical ability establish and maintain a QM Star rating for our Mature facilities that is higher than the industry average, The graphic below sets forth our QM Star rating over time for our Mature facilities, as well as the industry average QM Star rating, for the periods indicated.

QM Star Ratings Over Time for PACS Mature Facilities vs. Industry Average

Source: CMS SNF Provider Information (Aug. 2023); PACS data for facilities with CMS certification and QM Star rating.

Execution of our strategy has also increased our number of facilities with QM Star ratings of 4 or 5 Stars over time. The graphic below sets forth our number of facilities by QM Star rating from 2015 through 2023.

QM Star Ratings Over Time for PACS Facilities



Our Value Proposition

We believe that our operating model creates meaningful value for patients and their families, our referring providers, our payors, and our administrators and clinicians.

Value Proposition for Patients and Families

- ***Coordinated care.*** We empower team members at every level through skillful training, shared resources, and a collaborative spirit. We help deliver coordinated care before, during, and after a patient's stay with us. Prior to admission, our administrators or other facility leaders meet with patients and their families, as well as hospital discharge planners, to plan for the patient's discharge and enable a seamless transition to our facility. During a stay with us, our local facility team coordinates closely with physicians to deliver high-touch, high-quality care for patients. As care nears completion, we meet with our patients, their families, home health agencies and downstream care providers to plan for and ensure a smooth transition.

- ***Outstanding patient experience.*** Our goal is to provide each patient with superior care and an outstanding experience. When patients arrive at our facilities they are greeted by a warm, inviting, and modern environment. We often upgrade facility infrastructure shortly after acquisition and perform periodic refreshes, to ensure our facilities are comfortable and well-equipped to serve patients across a wide range of acuities with a primary focus on high acuity patients. High acuity patients generally require higher levels of medical care or monitoring due to conditions or complications that cannot be easily managed, and often need more nursing resources and attention to maintain their quality of life. We believe our investment in modern equipment and technology allows our facility care teams to identify and respond to patient needs and provide them high quality care in a timely manner. Moreover, our clinicians are highly trained, have significant experience, and are able to leverage bespoke care plans to help ensure that patients receive care tailored to their particular needs.

Value Proposition for Referring Providers

- ***Strategic and seamless transitions.*** Our administrators and their interdisciplinary teams seek to become a preferred partner by developing a deep understanding of local referring providers' and their patients' needs. Administrators often visit with patients and their families prior to discharge to plan for and map out a smooth admission to our facility. Once a plan is set, the facility team endeavors to quickly and seamlessly transition new patients to the facility with a focus on ensuring continuity of care in the transition. We believe that hospitals and other referral sources consider our facilities to be attractive discharge options because we are able to care for a wide variety of patient needs, and are often able to accept admissions on short notice, including on nights and weekends. Our flexibility helps hospitals maintain adequate bed availability to meet their other patients' needs.

- ***Trusted partner with quality care.*** Our ability to care for higher acuity patients allows referring providers to have confidence that we will be able to adequately care for their patients and assist them in their recovery. Our facilities seek to work with patients' doctors to create personalized care plans to help ensure that patients stay on track in their recovery and to reduce the likelihood of their readmission to the hospital. Our facility teams also seek to coordinate closely with a patient's home health agency or other post-SNF caregivers to try to ensure the patient's transition home or to their next care setting is successful. This close coordination allows us, where warranted, to directly readmit patients back to our facility who would have otherwise been readmitted to an acute care hospital in the event they have a change of condition after leaving our facility.

Value Proposition for Payors

- ***Higher value site of care.*** We believe we provide high acuity care in a cost-effective setting and are able to quickly transition patients from the acute care setting, reducing length of stay and delivering more overall value for payors. Moreover, we believe we provide payors with a high-quality alternative to higher cost post-acute sites of care. For example, according to MedPAC, SNFs are the lowest cost facility-based post-acute healthcare, costing an average of $550 per covered day compared to $1,850 and $1,753 per covered day for inpatient rehabilitation facilities and long-term acute care hospitals, respectively.

- ***Robust culture of compliance.*** We focus on instilling a unified, cohesive culture of innovation and compliance that we believe provides consistency in our results and confidence in our facilities as an attractive care option for patients. Our rigorous approach to billing integrity, our independent internal compliance function, and our regular facility billing audits are intended to provide a foundation of trust and collaboration that makes us a natural choice for payors.

Value Proposition for Administrators and Clinicians

- ***Autonomy and aligned compensation.*** Each facility administrator is, in effect, the local "CEO" and dedicated leader of their facility. Alongside their local interdisciplinary team, they are empowered to make real-time decisions locally around all aspects of their business and to manage their individual facility in a way that they believe is best suited to address their local market and its needs. We have designed a transparent incentive model for our administrators that is intended to align their compensation with the quality of care and operational and financial performance of their facility. We provide them the tools and the autonomy to optimize the performance of their facility, and we reward them for success in their efforts. We believe that a well-performing facility is the result of providing quality care in an environment of healing and caring and one that is appropriately staffed, supplied, and equipped to meet the needs of its patients. This dedicated focus by our administrators and their local teams on patient outcomes drives demand for our services and can ultimately result in higher patient census and profitability.

- ***Robust technology enabled operating infrastructure.*** We developed PACS Services to reduce the managerial and operational burden on our administrators, allowing them to focus on leading their facilities and spending more time with patients and staff. PACS Services includes a robust suite of technology tools that provide detailed real-time data and trends that local clinicians and leadership teams can use to monitor and improve operational performance. PACS Services also includes regional support teams that leverage their deep tenure and experience across markets to provide higher-level support to local leaders on complex issues, including billing and cost reporting practices and regulatory compliance obligations. The regional teams are connected to and support the facilities within their designated region, which enables them to identify best practices and trends within the region, communicate those across their region, and provide facility-level support as needed.

- ***Highly entrepreneurial career development.*** By providing our administrators with autonomy in the operation of their facility, we believe we create a highly entrepreneurial environment that encourages and rewards leaders to optimize operational performance. We empower our clinicians to do the same and provide top performers the opportunity to progress via training for higher skill licenses and certifications.

People are provided the opportunity to advance to become an administrator through our Administrator-in-Training program, and to join a regional leadership team. For example, in the year ended December 31, 2023, we promoted 26 of our administrators from within our organization after participating in our Administrator-in-Training program, and 12 of our RVPs were previously successful administrators with us.

Our Competitive Strengths

We believe our success is driven by the following competitive strengths:

Superior Overall Quality

Excellence in clinical quality and experience for our patients is at the forefront of our mission and is reflected in our above-industry average QM Star rating and occupancy rate. Our facilities employ skilled administrators and clinicians and equip them with purpose-built technology and support so they can operate at the top of their professional capacity and deliver high-quality care for patients. We continuously invest in our people, processes, and facilities to promote an excellent patient experience. We believe we deliver superior overall quality that has contributed to our reputation as a provider-of-choice in our communities, driving greater referral volumes from referring providers who value our high standards.

Decentralized Market-Driven Operating Model

Our decentralized model emphasizes local operational autonomy. We believe that placing decision-making power at the local level with teams who understand the needs of their patients and their communities facilitates responsiveness and adaptability to evolving patient needs and facility and community factors. We believe the empowerment of local leadership promotes improved quality care for patients, greater referral volumes and higher occupancy rates. Our operating model is highly transferable to new markets, and enable us to quickly integrate and enhance new facilities.

Transparent and Meritocratic Leadership Culture

We have built a transparent, competitive, and collegial culture that promotes individual growth both personally and professionally and prioritizes a deep commitment to our patients, families, and team members. We promote transparency in performance, which we believe encourages collaboration and healthy competition among local leadership that in turn drives best practices. We believe this meritocratic culture, supported by highly seasoned industry veterans, helps optimize clinical and financial outcomes at facilities and instills accountability throughout the organization. This leadership mindset has empowered us to develop a deep bench of leaders capable of supporting our existing and future facilities.

Employer-of-Choice with Directly Aligned Incentive Model

We believe that we are an employer-of-choice in the post-acute care industry, which enables us to attract and retain highly motivated, entrepreneurial individuals who value operational independence and financial opportunity. This has allowed us to attract enterprising individuals from diverse backgrounds who may not have otherwise considered careers in skilled nursing. Our unique compensation model is designed to align local individual incentives with the long-term clinical quality and operational performance of the facility, which we believe fosters a shared ownership mentality. We believe this directly aligned incentive model has played a critical role in successfully attracting, incentivizing, and retaining our industry veterans.

Robust Suite of Technology-Enabled Services

Our technology focus delivers real-time data access to caregivers and administrators, facilitating delivery of the right care at the right time. Our technology tools enable our local leadership teams to focus on their first priority, providing the highest quality care possible to patients. We believe our suite of technologies helps drive decision-making and enhances operating efficiencies that can improve clinical quality, operational metrics, and the financial performance of our facilities. While other facility administrators may spend considerable time on paperwork and low-value activities, we strive to reduce the administrative burden on our facility administrators so they can walk the halls, personally meet patients, and provide a bespoke, concierge-level customer service experience. We equip our clinicians with industry-leading technology, including point-of-care and digital charting technologies, which streamlines charting and paperwork, so they can spend more time with patients and focus on providing high quality care. We believe our technology and internally developed dashboards help to facilitate better patient care, risk management, regulatory compliance, staffing, and resource allocation. We have designed our technology to be easily integrated into new facilities and allow us to scale quickly and efficiently.

Differentiated, Multi-faceted, and Disciplined Acquisition Playbook

Over the past 9 years, we have demonstrated the effectiveness of our disciplined, multi-faceted playbook of acquiring and improving underperforming facilities, having successfully acquired and integrated over 195 facilities to date. We believe we have established a reputation as an acquiror-of-choice, which has led to several inbound opportunities, and has helped us build an extensive opportunity pipeline. Our balanced approach to evaluation allows us to selectively pursue opportunities that meet our strategic priorities and criteria and grow in a responsible manner. Through our investment into facilities and our integration process, we are able to transition new underperforming facilities to higher-value short-term transitional care facilities. We believe our success is evidenced by our robust QM Star ratings, occupancy rates, and profitability at our Mature facilities.

Our High-Quality Facilities

We are committed to providing a high-quality experience for all of our patients, which is why we invest in capital improvements and ongoing maintenance to all of our facilities, regardless of whether we lease or own. Our investment into facilities is differentiated from traditional industry operators who we believe are often hesitant to make physical plant investments into facilities and who often seek to extract value through cost-cutting or other limitations on facility resources. Our renovations are intended to improve the look and feel of facilities in order to provide an excellent experience. Our investments into medical beds, vitals monitors, physical therapy equipment, and other improvements allows us to provide services to higher acuity patients. We believe our high-quality facilities lead to sustained referral volumes, more admissions, and high skilled mix at our facilities, ultimately leading to higher occupancy rates and revenue per patient day. We also believe our investment into leased facilities makes us a preferred tenant with our landlords and provides us leverage in negotiating favorable lease terms.

Our Size and Scale

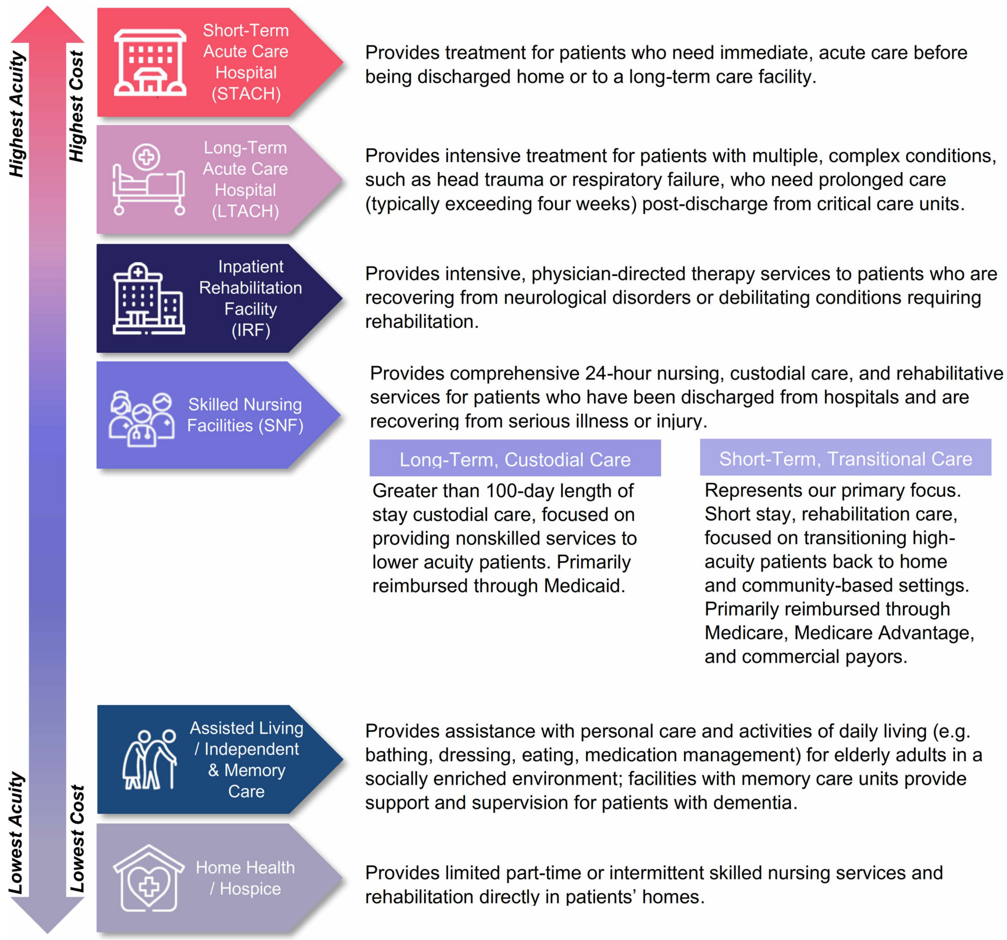
We believe our market density in key regions offers strategic advantages, such as brand recognition with referring providers, including hospitals and health systems, and consistency and continuity of referrals of patients. For example, our ability to accommodate a high volume of patients within our markets allows us to accept referrals without turning patients away to competitors, and can also further our reputation as a reliable, go-to provider of care for referring providers. We also believe our size and scale has provided us with the ability to negotiate favorable contracts with managed care and other payor sources, the ability to navigate stringent regulatory compliance obligations and withstand potential reimbursement and regulatory industry dynamics, and the ability to leverage real estate value for liquidity and growth.

Industry Overview and Market Opportunity

The Post-Acute Care Continuum is Essential to the Healthcare Ecosystem

We operate in the post-acute care industry, which is an essential component of the healthcare delivery ecosystem, serving high need, medically fragile patients. Post-acute care encompasses multiple care settings outside of acute care hospitals that are differentiated by the acuity level of patients and the services they require. While services may overlap across each distinct post-acute offering, post-acute rehab or SNFs provide the most comprehensive array of services. Upstream care providers, such as acute care hospitals, generally discharge patients to post-acute facilities where patients can receive key services at lower costs. For example, according to MedPAC, SNFs cost an average of $550 per covered day compared to $2,914 for short-term acute care hospitals.

Post-Acute Care Continuum



SNFs are an Integral and Essential Part of the Post-Acute Care Continuum

SNFs play an essential role in post-acute patient care. SNFs provide higher-acuity skilled nursing care to patients that cannot be adequately treated in community-based care settings, such as assisted living or independent living facilities, and who are no longer appropriate candidates for hospital care. Patients referred to a SNF are typically recovering from surgery or non-critical conditions, such as strokes, joint replacements, and acute infections, and are admitted to a SNF within 30 days of being discharged from a hospital where they spent at least three days as an inpatient. In many instances, patients are treated at SNFs prior to receiving home health nursing care and therapy services. The majority of SNF patients are aged 65 years or older. Despite the wide array of services and variety of needs addressed, MedPAC reports that SNFs are the lowest cost facility-based post-acute healthcare, costing on average $550 per covered day compared to $1,850 and $1,753 per covered day for inpatient rehabilitation facilities and long-term acute care hospitals, respectively. According to CMS MedPAC data, SNFs accounted for approximately 44% of the total post-acute care continuum spend. According to CMS Inpatient Hospital discharge data, in 2022, approximately 22% of Medicare patients over 65 years old were discharged to SNFs, representing more than any other facility type, including inpatient rehabilitation facilities and long-term acute care hospitals (approximately 6%), and more than home health nursing care (21%) or hospice (5%). As reimbursement and coverage continues to shift toward value-based models with greater emphasis on controlling costs, SNFs are integral to post-acute care and will continue to drive high-quality outcomes in low-cost settings. Furthermore, during the COVID-19 pandemic, SNFs were widely utilized to treat medically fragile patients, reinforcing the importance of SNFs to the healthcare ecosystem.

The skilled nursing industry can be classified into two main sub verticals: A) long-term custodial care and B) short-term transitional care. Long-term custodial care predominantly focuses on lower acuity, Medicaid-eligible patients and provides institutional, custodial care services, including nonskilled, personal care services such as assistance with bathing, dressing, or eating. Short-term transitional care predominantly treats higher acuity, Medicare-eligible patients and primarily provides short-term inpatient-level skilled nursing care such as rehabilitation, physical therapy services, and intravenous injections.

Large, Fragmented Industry Comprised of Mostly Small and Independent Operators

According to the National Center for Health Statistics (NCHS) 2020 National Post-acute and Long-term Care Study, the SNF industry in the United States encompasses approximately 15,000 facilities and serves approximately 1.3 million patients annually. The industry is highly fragmented, with the top 10 operators, each having greater than 100 facilities, representing approximately 11% of total number of SNFs in the United States, according to CMS data as of September 2022, approximately 5,000 smaller and independent operators of less than 100 facilities making up the remainder. According to such data, of the approximately 15,000 facilities, approximately 13,200 facilities have less than 100 beds, and approximately 74% and 27% of SNFs are located in urban and rural areas, respectively. In addition, approximately 72%, 23%, and 6% of SNFs are operated as for-profit, non-profit, and by the government, respectively, according to such data. We believe this fragmented landscape creates opportunities for larger providers with greater scale to serve patients better and meet regulatory requirements nation-wide by effectively addressing staffing, quality standards, and billing processes. Moreover, many small and independent operators face pressure due to billing requirements, regulations, competition on quality of care and facilities, staffing shortages and competition, and the cessation of COVID-related provider relief funding, which has led them to pursue sales of their facilities or businesses. This provides additional opportunity for well-managed, high-quality operators to grow through acquisitions.

Growing Demand Outpacing Supply of Skilled Nursing Facilities

The demand for healthcare services in the United States has increased in recent years and is expected to continue growing, largely due to a rapidly aging population and an increasing prevalence of chronic conditions. According to the U.S. Census Bureau, the U.S. population aged 65 and older is expected to nearly double from 2020 to 2060 and reach 95 million in 2060, which exceeds the expected increase in the general population during that same period, and comprise one fifth of the total U.S. population in 2030. Moreover, according to the U.S. Census Bureau, the U.S. population aged 85 and older is expected to nearly triple from 2020 to 2060 and reach 19 million in 2060. Additionally, according to an article published in *Frontiers in Public Health* in 2022, the percentage of people in the United States aged 50 and older with at least one chronic condition is estimated to increase by 99.5% from 2020 to 2050. According to CMS data as of September 2022, approximately 82% of SNF patients were 65 years of age or older.

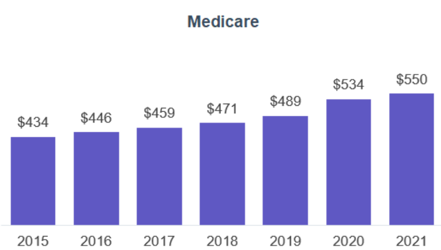
As demand has increased for SNFs, the number of SNFs has declined in recent years from approximately 15,650 in 2017 to approximately 14,900 in 2023. We believe this is due to a variety of factors, including an inability of many facilities to comply with quality standards, rigorous staffing, and billing requirements, and a lack of technology and sophistication at small and independent operators. Furthermore, new operators face multiple barriers to entry, including the requirements to obtain a Certificate of Need, complex licensure requirements, lack of operating experience, and significant capital requirements. As a result, the addition of new SNFs has not kept pace with the number of SNFs exiting the market, amplifying the need for skilled nursing to serve an aging population.

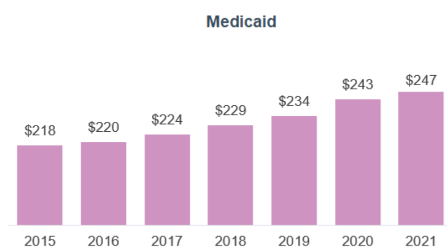
Favorable Reimbursement Environment

According to CMS, approximately 72% of SNF revenue in 2022 was derived from government sources, including Medicaid and Medicare. Medicaid represents 51% of industry revenue, while Medicare represents approximately 21%. The remainder comprises managed care, private pay, and other payors. Medicare and Medicaid reimbursement has steadily increased over the past few years. Medicare reimbursement per patient day increased at a CAGR of approximately 3.6% from 2012 to 2021, while Medicaid reimbursement per patient day increased at a CAGR of approximately 1.9% from 2012 to 2021. The industry has experienced over 9 years of growth in reimbursement rates.

The following charts depict the increase in Medicaid and Medicare Fee for Service reimbursement per patient day from 2015 through 2021 as reported by CMS.

Medicaid and Medicare Reimbursement Per Patient Day





Regulatory Environment

The SNF industry is highly regulated with stringent regulatory compliance obligations. In the ordinary course of business, providers are subject to federal, state and local laws and regulations relating to, among other things, billing and reimbursement, relationships with vendors, business relationships with physicians and other healthcare providers and facilities, as well as licensure, accreditation, enrollment, quality, adequacy of care, physical plant, life safety, personnel, staffing and operating requirements. Changes in law or new interpretations of existing laws and regulations may have a significant impact on revenue, costs and business operations of providers and other industry participants. In addition, governmental and other authorities periodically inspect the SNFs, senior living facilities and outpatient rehabilitation agencies to verify continued compliance with applicable regulations and standards and may impose citations and other regulatory penalties for regulatory deficiencies. Such regulatory penalties include but are not limited to civil monetary penalties, temporary payment bans, suspension or revocation of a state operating license and loss of certification as a provider in the Medicare or Medicaid program, which may be temporary or permanent in nature. This regulatory environment and related enforcement can have an adverse effect on providers and other industry participants. See the section titled "Business—Regulatory Matters."

Our Market Opportunity

Despite the decline in the number of SNFs, the industry is large and growing, with CMS expecting total industry expenditures to increase from $193.6 billion in 2022 to $283.3 billion in 2031, representing a CAGR of 4.3%. Based on the number of facilities as reported by CMS, we are one of the largest SNF operators in the United States and believe our scale and other competitive strengths uniquely position us to capitalize on the current underlying trends within the SNF industry and capture a growing portion of this expected growth.

Our Growth Strategy

We have built a multi-faceted growth strategy with multiple organic and inorganic levers to help drive our growth and capitalize on the favorable industry dynamics. To continue our growth, we intend to:

- ***Expand our presence in existing and new markets.*** We have a robust pipeline of potential single-facility tuck-in acquisitions, larger multi-facility portfolio acquisitions and select new facility builds across existing and new markets. We have historically completed an average of approximately 20 acquisitions and one de-novo, or new-build, facility per year, but have the flexibility to increase or decrease this cadence from period to period in line with our business priorities and as strategic opportunities arise. We plan to continue to strategically pursue opportunities within our pipeline to supplement our organic growth. While we expect to continue to execute on this strategy, we do not have binding agreements or commitments for any material investments at this time.

- ***Leverage operational upside within our existing footprint.*** Our portfolio has a healthy foundation for strong embedded organic growth. We are focused on driving higher occupancy and increasing skilled mix in an effort to fill unused capacity with higher acuity patients, which can improve our revenue per patient day and our profitability, which in turn drive growth. Historically, we have found that it takes up to 3 years for a New facility to scale to performance similar to that of a Mature facility. As of December 31, 2023, we had 66 New and 77 Ramping facilities, which we believe provides us some degree of near-term visibility into expected organic growth within our footprint.

- ***Continue to grow our pipeline of leaders.*** Our rapid growth in size and scale can be attributed to our deep bench of talented leaders. Our administrators in training provide us with leadership resources that we can use to quickly staff new facilities with qualified operators. Similarly, our RVPs enable us to scale within regions. We intend to invest heavily in training existing leaders and expanding our bench of new administrators and RVPs to support our future growth.

- ***Extract embedded value from real estate ownership.*** We plan to continue to evaluate our real estate purchase options in an effort to reduce our rent burden and grow the underlying earnings of our business. We have executed 17 purchase options since 2013 and had 11 additional options available to us as of December 31, 2023. We intend to continue to selectively exercise purchase options and continue structuring additional purchase options to provide an additional lever to grow net margins and enhance stockholder value. Moreover, we believe that our real estate ownership provides balance sheet support as an inflationary hedge, provides capital flexibility as a source of asset collateral, reduces the burden of leases and restrictive agreements, and allows us the opportunity to create additional value in improving distressed assets.

- ***Ancillary opportunities.*** We have identified and continue to evaluate multiple investment opportunities that have the potential to improve our post-acute patient experience by augmenting the services we provide. We may capitalize on these investment opportunities that are ancillary to our core business, such as pharmacy services, laboratory services, transportation, and imaging, which have the potential to be additional sources of revenue and operating income over time. We refer to these efforts to build a strategic mix of investments in ancillary business lines as “PACS Ventures.” We continue to evaluate opportunities to in-source, acquire, and commercialize these ancillary opportunities. Additionally, we may choose to monetize our PACS Services by offering it to third-party SNF operators in the future.

- ***Expand into other post-acute sites of care.*** We believe that our proven operational playbook and focus on delivering high-quality care have the potential to be utilized in additional post-acute sites of care, including home health and hospice as well as within broader senior living communities. As of December 31, 2023, we had one independent living facility and four assisted living facilities which provide a foundation for further expansion.

Human Capital Resources

Our Culture and Values

Our leading culture of collegiality and committed focus on quality is driven from the top with entrepreneurial, passionate leaders who are determined to deliver a superior experience for patients and staff. Our culture of transparency across our regions and facilities fosters an environment where best-practices are shared among regions which promotes healthy competitiveness and constant improvement across our facilities.

Our culture is centered on the following core values:

- **Love.** We recognize that love is the foundation for providing care to the vulnerable. We support our clients as they build a culture of loving care within and beyond their communities.
- **Excellence.** We look for and act on opportunities to improve every day.
- **Trust.** We act with integrity and expect the same of others.
- **Accountability.** We seek responsibility for our actions, attitudes, and mistakes.
- **Mutual respect.** We treat others the way they want to be treated.
- **Fun.** We create and instill fun and enjoyment in everything we do.

Our Employees

As of December 31, 2023, we had 32,433 employees working across 208 post-acute care facilities in 9 states and at our corporate headquarters in Farmington, Utah. Of our 32,433 employees, 19,321 are clinicians, including approximately 2,244 RNs including DONs, approximately 5,355 LPNs, and approximately 11,722 CNAs. Approximately 13,112 of our employees work in non-clinical functions and administrative / support functions, including 14 RVPs, and 150 facility administrators, 143 clinical and compliance support, 72 information technology support, and approximately 12,733 additional administrative and support staff. We also employ a dedicated team specifically focused on ensuring smooth functioning and support for our point-of-care including the clinical and compliance support, information technology support above. Additionally, 3,478 of our employees were represented by unions under collective bargaining agreements as of December 31, 2023.

Our senior management team boasts extensive experience, totaling an average of over 10.9 years with us and 17.3 years within the SNF industry as of December 31, 2023. As of December 31, 2023, our RVPs had an average of 7.2 years of experience, our administrators an average of 2.4 years and our Directors of Nursing an average of 2.9 years.

Competition

The post-acute care industry is highly competitive and fragmented and we compete with numerous local and regional providers, in addition to large national providers that have achieved geographic diversity and economies of scale. We expect that the industry will become increasingly competitive in the future. Our independently operated facilities also compete with inpatient rehabilitation facilities and long-term acute care hospitals. Increasingly, we are competing with home health and community-based providers who have developed programs designed to provide services to seniors outside a facility-based setting, potentially decreasing the time they need the higher level of care provided in a SNF. Competitiveness may vary significantly from location to location, depending upon factors such as the number of competing facilities, availability of services, expertise of staff, and the physical appearance and amenities of each location. We believe that the primary competitive factors in the post-acute care industry are:

- ability to attract and to retain qualified management and clinicians;

- reputation and achievements of quality healthcare outcomes;
- attractiveness and location of facilities;
- ability to charge competitive prices;
- the expertise and commitment of the management team and employees; and
- community value, including amenities and ancillary services.

We seek to compete effectively in each market by establishing a reputation within the local community as a preferred provider of post-acute care services This means that the facility administrators are generally free to discern and address the unique needs and priorities of referring providers, patients, payors and other stakeholders in the local community or market, and then create a superior service offering and reputation for that particular community or market that is calculated to encourage prospective patients and referral sources to choose or recommend the facility.

Increased competition could limit our ability to attract and retain patients, qualified management and caregivers, maintain or increase rates or to expand our business. Some of our competitors have greater financial and other resources than we have, may have greater brand recognition and may be more established in their respective communities than we are. Competing companies may also offer lower costs, newer facilities or different programs or services than we offer, and may therefore attract individuals who are currently patients of our facilities, potential patients of our facilities, or who are otherwise receiving our healthcare services. Other competitors may have lower expenses or other competitive advantages than us and, therefore, provide services at lower prices than we offer.

Regulatory Matters

Healthcare

Healthcare is an area of extensive and frequent regulatory change. Changes in the law or new interpretations of existing laws may have a significant impact on revenue, costs and business operations. Our independent operating facilities that provide healthcare services are subject to federal, state and local laws relating to, among other things, licensure, accreditation, enrollment, quality, adequacy of care, physical plant, life safety, personnel, staffing and operating requirements. In addition, these facilities are subject to federal and state laws that govern billing and reimbursement, relationships with vendors, business relationships with physicians and other healthcare providers and facilities, and workplace protection for healthcare staff.

Governmental and other authorities periodically inspect the SNFs, senior living facilities and outpatient rehabilitation agencies to verify continued compliance with applicable regulations and standards. The operations must pass these inspections to remain licensed under state laws and to comply with Medicare and Medicaid provider agreements. The operations can only participate in these third-party payment programs if inspections by regulatory authorities reveal that the operations are in substantial compliance with applicable state and federal requirements. In the ordinary course of business, federal or state regulatory authorities may issue notices to the operations alleging deficiencies in certain regulatory practices. These statements of deficiency may require corrective action to regain and maintain compliance. In some cases, federal or state regulators may impose other remedies including imposition of civil monetary penalties, temporary payment bans, loss of certification as a provider in the Medicare or Medicaid program, or suspension or revocation of a state operating license.

The regulatory environment surrounding the healthcare industry subjects providers to significant scrutiny. In the ordinary course of business, providers are subject to inquiries, investigations and audits by federal and state agencies related to compliance with participation and payment rules under government payment programs. These inquiries may originate from the United States Department of Health and Human Services (HHS) Office of the Inspector General (OIG), state Medicaid agencies, state Attorney Generals, local and state ombudsman offices and CMS Recovery Audit Contractors, among other agencies. In response to the inquiries, investigations and audits, federal and state agencies continue to impose citations for regulatory deficiencies and other regulatory penalties, including demands for refund of overpayments, expanded civil monetary penalties that extend over long periods of time and date back to incidents prior to surveyor visits, Medicare and Medicaid payment bans and terminations from the Medicare and Medicaid programs, which may be temporary or permanent in nature. We vigorously contest each such regulatory outcome when appropriate; however, there are significant legal and other expenses involved that consume our financial and personnel resources. Expansion of enforcement activity could have an adverse effect on our business, financial condition or results of operations.

Coronavirus

In an effort to decrease the spread of COVID-19, federal, state and local regulators have implemented new regulations and requirements on our subsidiaries.

Testing requirements - On September 23, 2022, CMS issued an interim final rule (IFR) regarding COVID-19 testing of staff, stating that individuals who show symptoms of COVID-19, regardless of vaccination status, should be tested for COVID-19 as soon as possible. Additionally, this IFR called for testing of residents and staff and investigation of an outbreak when there is a single positive COVID-19 case among residents or staff of the long term care (LTC) facility. We have implemented procedures for testing for COVID-19 that are intended to comply with federal and state mandates.

Federal and state COVID-19 vaccination requirements - CMS developed an IFR requiring all workers within Medicare and Medicaid-participating nursing homes to be vaccinated against COVID-19 as a condition of participation in the Medicare and Medicaid programs. In addition, OSHA introduced an emergency temporary standard (ETS) requiring employers with more than 100 employees to mandate that its employees be fully vaccinated against COVID-19 or submit to weekly testing for the virus. Both CMS's IFR and OSHA's ETS for vaccination were challenged in court and halted from enforcement in certain states, but the United States Supreme Court allowed CMS to enforce its vaccine mandate nationwide.

In addition to the IFR mandating vaccinations for health facility workers, several states where our facilities are located have issued vaccine mandates that apply to facility staff. These vaccine mandates are largely aligned with CMS's requirements. For example, California issued an order requiring adult care facilities and direct care workers to be vaccinated as well, and for all affected workers to be fully vaccinated by November 30, 2021. The order was expanded to allow workers who had completed their primary vaccination series and contracted COVID-19 since becoming fully vaccinated to defer the receipt of a vaccine booster dose by up to 90 days after infection with COVID-19; otherwise, booster vaccine doses were required to be completed by March 1, 2022. On October 23, 2022, CMS issued further guidance unifying its recommendations for all facilities under its oversight, including SNFs and LTC facilities, reaffirming CMS's activities to verify vaccination of all SNF and LTC facility staff, and where necessary, to pursue corrective action for facilities found deficient in this requirement.

Reporting requirements - In accordance with CMS reporting guidance, SNFs are required to report to the CDC National Health Safety Network certain information related to COVID-19 cases on a weekly basis. Facilities are also required to provide residents and staff with vaccine education and offer vaccines, when available, to residents and staff. The IFR published on August 23, 2021 requires facilities to develop policies and procedures to ensure the availability of the COVID-19 vaccine to residents and staff and to educate them concerning the benefits, risks and potential side effects associated with the vaccine. CMS may initiate enforcement activities and assess civil monetary penalties for not meeting any of these COVID-19 related reporting requirements under this IFR and reaffirmed its intent to seek corrective action against SNFs and LTC facilities that do not satisfy these requirements.

Medicare and Medicaid Reimbursement and Requirements

For the year ended December 31, 2023, Medicare and Medicaid represented our largest sources of revenue and accounted for 38.6% and 37.6% of our routine revenue for the year ended December 31, 2023, respectively. The federal government and state governments continue to focus on efforts to curb spending on healthcare programs such as Medicare and Medicaid. The Medicare program and state Medicaid programs and their reimbursement rates and rules are subject to frequent change. These include statutory and regulatory changes, rate adjustments (including retroactive adjustments), administrative or executive orders and government funding restrictions, all of which may materially adversely affect the rates at which Medicare and state Medicaid programs reimburse us for our services. Budget pressures often lead the federal government to reduce or place limits on reimbursement rates under Medicare and Medicaid. We cannot predict the extent to which such proposals will be adopted or, if adopted and implemented, what effect, if any, such proposals and legislation will have on us. Historically, adjustments to reimbursement under Medicare and Medicaid programs have had a significant effect on our revenue.

Medicaid - In March of 2020, the FFCRA provided a 6.2% increase to the FMAP during the PHE. In addition to this funding increase, the FFCRA imposed conditions restricting the disenrollment and standards for re-enrolling Medicaid beneficiaries to promote continuous care of beneficiaries during the PHE. The bipartisan omnibus spending plan passed by Congress and signed into law by the President on December 29, 2022, amended these Medicaid enrollment protections and increased FMAP funding provided in the FFCRA. The FMAP increase CMS provides to states was subject to reduction reductions in 2023 as noted below: for the second quarter, April through June 2023, this increase was reduced to 5.0%; in the third quarter, from July through September, the FMAP increase was reduced to 2.5%, and in October through December, the FMAP increase will be reduced to 1.5%. The ultimate amount of funding from each state will vary substantially based on that states' policies.

CMS's provision of these increased FMAP funds to states is conditioned upon states reporting to CMS certain Medicaid-related information, including data pertaining to Medicaid renewals, termination of Medicaid coverage, beneficiary customer service information, and other eligibility and renewal information that may be identified in regulations or by the HHS Secretary. States that do not report required data to CMS beginning in July of 2023 will be penalized 0.25% percentage points, up to a total of 1.0%, for each quarter the state does not report data to CMS. The omnibus spending plan also grants CMS authority to impose fines, penalties, and other sanctions upon states that do not comply with this law's requirements for increased FMAP payments. These requirements and budgetary pressures can lead state governments to reduce or limit Medicaid spending.

Under the omnibus spending bill adopted in December of 2022, states began disenrolling Medicaid beneficiaries on April 1, 2023. During the PHE, funding was provided for continuous Medicaid enrollment, and the unwinding of the continuous enrollment period reduces CMS's contribution to state-administered Medicaid programs. CMS guidance permits states up to 14 months to initiate and process traditional Medicaid renewals, including the eligibility and enrollment process.

Medicare Annual Payment Rule and Updates -The Balanced Budget Act of 1997 required the implementation of a per diem prospective payment system (PPS) for SNFs covering all costs related to the provision of services to Medicare Part A beneficiaries. The SNF PPS payment rates are adjusted for case mix and geographic variation in wages and cover all costs of furnishing covered SNF services (routine, ancillary, and capital-related costs). CMS is required to calculate an annual Medicare market-basket update to the payment rates. On July 31, 2023, CMS issued a final rule for Fiscal Year (FY) 2024 that updates Medicare payment rates for skilled nursing facilities under the SNF PPS. For FY 2024, SNF PPS rates under Medicare Part A will increase by 4.0%. This estimate reflects a 6.4% net market basket update to the payment rates, which is based on a 3.0% SNF market basket increase plus a 3.6% market basket forecast error adjustment and less a 0.2% productivity adjustment and less a 2.3% adjustment as a result of the second phase of the recalibrated parity adjustment under the Patient Driven Payment Model (PDPM).

Sequestration of Medicare Rates - The Budget Control Act of 2011 requires a mandatory, across the board reduction in federal spending, called a sequestration. Medicare FFS claims with dates of service or dates of discharge on or after April 1, 2013 incur a 2.0% reduction in Medicare payments. Due to subsequent legislative amendments to the statute, the sequestrations will remain in effect through 2032, with the exception of a temporary suspension from May 1, 2020 through March 31, 2022.

Patient-Driven Payment Model (PDPM) - The PDPM, a case-mix classification model used in the SNF PPS for classifying SNF patients in a stay covered under Medicare Part A, became effective October 1, 2019. PDPM classifies patients into payment groups based on the patient's condition (clinically relevant factors) and resulting care needs, rather than on the volume of services provided, to determine Medicare reimbursement. PDPM utilizes five case-mix adjusted payment components: physical therapy, occupational therapy, speech language pathology, nursing and social services and non-therapy ancillary services. It also uses a sixth non-case mix component to cover utilization of SNFs' resources that do not vary depending on resident characteristics.

Skilled Nursing Facility Value-Based Purchasing (SNF-VBP) Program - All SNFs that receive reimbursement under the SNF PPS are also subject to the SNF Value Based Purchasing (VBP) Program. The SNF-VBP Program awards SNFs with incentive payments based on the quality of care they provide to Medicare beneficiaries. For the FY2024 Program year, performance in the SNF VBP Program is based on a single measure of all-cause hospital readmissions. Beginning in the FY 2026 program year, the measures will be expanded to include (1) Skilled Nursing Facility Healthcare Associated Infections Requiring Hospitalization (SNF HAI), and (2) Total Nursing Hours per Resident Day Staffing (Total Nurse Staffing), and beginning in the FY 2027 program year, the measures will be further expanded to include Discharge to Community—Post-Acute Care Measure for Skilled Nursing Facilities (DTC PAC SNF).

Skilled Nursing Facility – Quality Reporting Program (SNF QRP) - The Improving Medicare Post-Acute Care Transformation Act of 2014 (IMPACT Act) created data reporting requirements for certain Post-Acute-Care (PAC) providers. The IMPACT Act requires that each SNF submit its quality data and standardized patient assessment data elements in connection with the Quality Reporting Program (QRP). If a SNF does not submit required quality data, the SNF's payment rates are reduced by 2.0% for each such fiscal year.

Medicare Part B Requirements - Some of our revenue is paid by the Medicare Part B program under a fee schedule. Medicare Part B provides reimbursement for certain physician services, limited drug coverage, and other outpatient services outside of a Medicare Part A covered patient stay. Although certain therapy services were historically subject to a payment cap, the Bipartisan Budget Act of 2018 (BBA) repealed those caps while retaining and adding additional limitations to ensure appropriate therapy services. The BBA also establishes coding modifier requirements and retains the targeted medical review process established under the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) at a threshold amount of $3,000. The Current Year (CY) 2024 Physician Fee Schedule (PFS) Final Rule reduced the conversion factor (i.e., the number by which CMS determine all current procedural terminology code payments) by 3.4% from the CY 2023 conversion factor. This changed lowered the overall payment rate under the PFS by 1.25% in CY 2024 compared to CY 2023.

Programs of All-Inclusive Care for the Elderly

Programs of All-Inclusive Care for the Elderly (PACE) provides medical and social services to elderly individuals who qualify for nursing home care but, at the time of enrollment, can still live safely in the community. CMS conducts a comprehensive annual review of the PACE organization's operation of the PACE program during a 3-year trial period to assure compliance with all significant requirements. For example, each PACE organization must establish an interdisciplinary team that, among other responsibilities, comprehensively assesses the individual needs of each participant and assigns each participant to an interdisciplinary team. On April 12, 2023, CMS published updates to the PACE program, including to the determination of a contract year and the types of contracted services.

Federal Healthcare Reform

Patient Protection and Affordable Care Act - In recent years, there have been, and we expect there will continue to be, a number of legislative and regulatory changes to the U.S. healthcare system, many of which are intended to contain or reduce healthcare costs. For example, the Affordable Care Act (ACA) affects how healthcare services are covered, delivered and reimbursed, and it expanded health insurance coverage through a combination of public program expansion and private sector health insurance reforms. Several of the reforms are very significant and could ultimately change the nature of our services, the methods of payment for our services and the underlying regulatory environment. These reforms include modifications to the conditions of qualification for payment, bundling of payments to cover both acute and post-acute care and the imposition of enrollment limitations on new providers. Since its enactment, there have been judicial, executive and Congressional challenges to certain aspects of the ACA and, on June 17, 2021, the U.S. Supreme Court dismissed the most recent judicial challenge to the ACA brought by several states without specifically ruling on the constitutionality of the ACA.

In August of 2022, Congress passed and the Biden Administration signed into law the Inflation Reduction Act of 2022 (IRA), which continued and expanded certain provisions of the ACA. Among other things, the IRA extended premium subsidies paid by the federal government, which were scheduled to expire at the end of 2022, until the end of 2024, resulting in subsidies being available to offset or reduce the costs of private health insurance policies for older persons on fixed incomes or with limited savings. This may aid older patients in obtaining or keeping their health insurance in order to pay for long-term care services. Other healthcare-related provisions of the IRA include phased-in provisions for Medicare to negotiate the prices of certain prescription drugs, limiting the out-of-pocket cost of prescribed drugs to Medicare Part D recipients to $2,000 per year (in addition to a monthly cap on out-of-pocket prescription drug expenses) and limiting the monthly cost of insulin to $35.

Five-Star Quality Reporting Metrics -CMS created the Five-Star Quality Rating System, which assigns each a nursing home a rating between one and five stars, as a resource to assist consumers with comparing nursing homes. Each nursing home receives an overall rating, as well as separate ratings for health inspections, staffing and quality measures. In part due to the competitive nature of the system, achieving a four- or five-star ranking can be challenging. The results of the Five-Star Quality Rating System are published on CMS's public website, Care Compare. CMS also displays a consumer alert icon next to nursing homes that have been cited for incidents of abuse, neglect, or exploitation, which is updated monthly with CMS's refresh of survey inspection results on that website.

Proposed and Enacted Federal and State Legislation -The U.S. Congress has introduced various bills intended to improve quality of care and oversight in nursing homes. For example, on August 10, 2021, the Nursing Home Improvement and Accountability Act of 2021 was introduced in the U.S. Senate and proposed to reduce SNF payments for inaccurate submission of certain data, provide federal funding to carry out SNF data validation and ensure accuracy of cost report information, and mandate staffing requirements for SNFs. Although this bill was not approved by Congress, similar proposed legislation may be introduced in the future.

In addition to proposed legislation at the federal level, state legislatures have introduced and enacted legislation to address quality of care and oversight in nursing homes. For example, California enacted the Skilled Nursing Facility Ownership and Management Reform Act of 2022, which took effect on July 1, 2023, increases the oversight authority of the California Department of Public Health and changes several provisions regarding SNF licensing. We expect for states to continue to introduce and pass legislation that increases the regulation of SNFs.

Quality of Care initiatives - The Biden Administration has published several fact sheets related to the quality of care in nursing homes. On October 21, 2022, the Biden Administration published a fact sheet calling for improvements to the quality of care in nursing homes, and on September 1, 2023, the Biden Administration published another fact sheet regarding initiatives to improve resident safety in nursing homes, such as minimum staffing requirements. Additionally, on September 1, 2023, CMS issued a proposed rule that would create minimum staffing standards for skilled nursing facilities and nursing facilities and requirements for states to report the percent of Medicaid payments spent on compensation to direct care workers and support staff at each nursing facility and each intermediate care facility for individuals with intellectual disabilities. We anticipate there will be continued administrative, regulatory, and legislative efforts at the federal and state level to monitor and regulate LTC facilities.

Medicare and Medicaid Enrollment and Participation Requirements

Healthcare providers, including SNFs and other LTC facilities, must comply with certain requirements in order to participate in the Medicare and Medicaid Programs. Examples include requirements related to resident rights, admission, transfer and discharge, resident assessments, care planning, availability of certain services, administration and governance, emergency preparedness, quality assurance and performance improvement programs, infection control, compliance and ethics programs, physical environment, and training requirements. Compliance with these requirements can be burdensome and costly.

One such requirement of participation in the Medicare and Medicaid programs involves limitations around the use of pre-dispute, binding arbitration agreements by LTC facilities. CMS has issued guidance and direction around arbitration, to include: the facility must not require signing of an arbitration agreement as a condition of admission or a requirement to continue to receive care at the facility, and the agreement must expressly contain language to this effect; the facility must inform the resident or the resident's representative of the right not to sign the agreement; the facility must confirm that the agreement is explained in a manner that can be understood and that the resident or their representative acknowledges their understanding of the agreement; the agreement must provide for the right to rescind the agreement within 30 calendar days of signing; and the agreement may not contain language that prohibits or discourages communications with federal, state, or local officials, including federal and state surveyors, other federal or state health department employees, and representatives of the Office of the State Long-Term Care Ombudsperson. Congress has routinely introduced, but not passed, legislation addressing the issue of arbitration agreements used by LTC facilities. While legislative action is possible in the future, federal regulations and state/federal laws remain our primary source of authority over the use of pre-dispute binding arbitration agreements.

The requirements of participation serve as the basis for survey activities for the purpose of determining whether a facility meets the requirements for participation in Medicare and Medicaid. CMS has updated its guidance for surveyors and state agencies in order to, among other things, enhance responses to resident complaints and reported incidents. The guidance focuses on the following topics: (1) resident abuse and neglect (including reporting of abuse); (2) admission, transfer and discharge; (3) mental health and substance abuse disorders; (4) nurse staffing and reporting of payroll to evaluate staffing sufficiency; (5) residents' rights (including visitation); (6) potential inaccurate diagnoses or assessments; (7) prescription and use of pharmaceuticals, including psychotropics and drugs that act like psychotropics; (8) infection prevention and control; (9) arbitration of disputes between facilities and residents; (10) psychosocial outcomes and related severity; and (11) the timeliness and completion of state investigations to improve consistency in the application of standards among various states. In 2022, CMS published the survey resources CMS and state surveyors would be using to evaluate LTC facilities' compliance with vaccination and reporting requirements. These updates provided more information for state surveyors to utilize when evaluating LTC facilities' compliance with the Medicare Requirements of Participation, as well as included guidance for facilities on operationalizing compliance with these requirements based on how surveyors would measure and evaluate facility performance. CMS has also made significant software enhancement, including those used to measure and evaluate LTC facility compliance with the Medicare Requirements of Participation.

Licensure and Certification

Our facilities and healthcare professionals are subject to various federal, state, and local licensure and certification requirements in connection with our provision of healthcare services. Certain states in which we operate have certificate of need or similar programs regulating the establishment or expansion of healthcare facilities. The initial and continued licensure of our facilities and certification to participate in government healthcare programs depends upon many factors including various state licensure regulations relating to quality of care, environment of care, equipment, services, minimum staffing requirements, staff training, personnel, and the existence of adequate policies, procedures, and controls. In addition to facility licensure requirements, states also impose licensing requirements on the healthcare professionals who provide services at our facilities. States may impose restrictions on, or revoke, licenses of healthcare providers for, among other things, improper clinical conduct and delegation of such services, patient mistreatment, ethical violations and substance abuse, or aiding and abetting the unlicensed practice of medicine.

Federal, state, and local agencies survey our facilities on a regular basis to determine whether the facilities are in compliance with regulatory operating and health standards and conditions for participating in government healthcare programs. Unannounced surveys or inspections generally occur at least annually and may also follow a government agency's receipt of a complaint about a facility. Facilities must pass these inspections to maintain licensure under state law, to obtain or maintain certification under the Medicare and Medicaid programs, to continue participation in the Veterans Administration program at some facilities, and to comply with provider contracts with managed care clients at many facilities. From time to time, our facilities, like others in the healthcare industry, may receive notices from federal and state regulatory agencies of an alleged failure to substantially comply with applicable standards, rules or regulations. These notices may require corrective action, may impose civil monetary penalties for noncompliance, and may threaten or impose other operating restrictions on SNFs such as admission holds, provisional skilled nursing license, or increased staffing requirements. If our independent operating subsidiaries fail to comply with these directives or otherwise fail to comply substantially with licensure and certification laws, rules and regulations, the facility could lose its certification as a Medicare or Medicaid provider, or lose its license permitting operation in the State.

In addition, CMS has increased its focus on facilities with a history of serious or sustained quality of care problems through the special focus facility (SFF) initiative. SFFs receive heightened scrutiny and more frequent regulatory surveys. Failure to improve the quality of care can result in fines and termination from participation in Medicare and Medicaid. A facility “graduates” from the program once it demonstrates significant improvements in quality of care that are continued over a defined period of time. On October 21, 2022, CMS issued a Memorandum identifying the changes it intends to make in connection with the oversight of those facilities that fall under the SFF Program. These proposed measures included increased penalties for SFFs that fail to improve their performance upon further inspection by CMS, increasing the standards SFFs must meet to graduate from the SFF program, maintaining heightened oversight of any SFF for a period of three years after it graduates and increasing the technical assistance CMS provides to SFFs.

CMS has undertaken several initiatives to increase or intensify Medicaid and Medicare survey and enforcement activities, including federal oversight of state actions. CMS is taking steps to focus more survey and enforcement efforts on facilities with findings of substandard care or repeat violations of Medicaid and Medicare standards and to identify multi-facility providers with patterns of noncompliance. CMS is also increasing its oversight of state survey agencies and requiring state agencies to use enforcement sanctions and remedies more promptly when substandard care or repeat violations are identified, to investigate complaints more promptly, and to survey facilities more consistently.

Civil and Criminal Fraud and Abuse Laws and Enforcement

The U.S. healthcare industry is heavily regulated by federal, state and local governments. We are subject to federal and state laws that regulate our relationships with physicians and other healthcare providers, the manner in which our facilities provide and bill for services and collect reimbursement from governmental programs and private payors, our marketing activities, and other aspects of our operations.

The federal Anti-Kickback statute (AKS) prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration, directly or indirectly, in cash or kind, to induce or reward either the referral of an individual for, or the purchase, order or recommendation of, any good or service, for which payment may be made under federal and state healthcare programs such as Medicare and Medicaid. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. The AKS includes statutory exceptions and regulatory safe harbors that protect certain arrangements. Failure to meet the requirements of the safe harbor, however, does not render an arrangement illegal. Rather, the government may evaluate such arrangements on a case-by-case basis, taking into account all facts and circumstances, including the parties’ intent and the arrangement’s potential for abuse, and may be subject to greater scrutiny by enforcement agencies.

Additionally, the Stark Law prohibits a physician from referring a Medicare or Medicaid patient for a “designated health service” to an entity with which the physician or an immediate family member has a financial relationship, unless an exception applies. Designated health services include inpatient and outpatient hospital services, physical therapy, occupational therapy, speech language pathology services, durable medical equipment, prosthetics, orthotics and supplies, diagnostic imaging, and enteral and parenteral feeding and supplies and home health services. Under the Stark Law, a “financial relationship” is defined as an ownership or investment interest or a compensation arrangement. If such a financial relationship exists and does not meet a Stark Law exception, the entity is prohibited from submitting or claiming payment under the Medicare or Medicaid programs or from collecting from the patient or other payor.

The federal False Claims Act (FCA) prohibits a person from knowingly presenting, or caused to be presented, a false or fraudulent request for payment from the federal government, or from making a false statement or using a false record to have a claim approved. The FCA further provides that a lawsuit thereunder may be initiated in the name of the government by an individual referred to as a “whistleblower.” Moreover, the government may assert that a claim including items and services resulting from a violation of the AKS or the Stark Law constitutes a false or fraudulent claim for purposes of the civil FCA. Penalties for a violation of the FCA include fines for each false claim, plus up to three times the amount of damages caused by each false claim.

Further, the Civil Monetary Penalties Statute authorizes the imposition of civil monetary penalties, assessments and exclusion against an individual or entity based on a variety of prohibited conduct, including, but not limited to offering remuneration to a federal healthcare program beneficiary that the individual or entity knows or should know is likely to influence the beneficiary to order or receive healthcare items or services from a particular provider.

Many states have also adopted or may adopt similar anti-kickback, self-referral, false claim, and fraud and abuse laws as described above. The scope of these laws and the interpretations of them vary by jurisdiction and are enforced by local courts and regulatory authorities, each with broad discretion. Some state fraud and abuse laws apply to items or services reimbursed by any third-party payor, including commercial insurers, and to funds paid out of pocket by a patient.

Violation of any of these laws or any other governmental regulations that apply may result in significant penalties, including, without limitation, administrative civil and criminal penalties, damages, fines, additional reporting requirements and compliance oversight obligations, contractual damages, the curtailment or restructuring of operations, exclusion from participation in governmental healthcare programs and/ or imprisonment.

In the ordinary course of business, providers are subject to inquiries, investigations and audits by federal and state agencies related to compliance with participation and payment rules under government payment programs, as well commercial payors. These inquiries may originate from the United States Department of Health and Human Services (HHS) Office of the Inspector General (OIG), state Medicaid agencies, state Attorney Generals, local and state ombudsman offices and CMS Recovery Audit Contractors, among other agencies and commercial payors. In response to the inquiries, investigations and audits, federal and state agencies and other payors may impose citations for regulatory deficiencies and other regulatory penalties, including demands for refund of overpayments, civil monetary penalties, payment bans and terminations from the Medicare and Medicaid programs, which may be temporary or permanent in nature.

In recent years, there has been increased regulatory scrutiny into post-hospital SNF care. For example, in November 2019, the OIG released a report of its investigation into overpayments to hospitals that did not comply with Medicare’s post-acute-care transfer policy. Hospitals violating this policy transferred patients to certain post-acute-care settings, such as SNFs, but claimed the higher reimbursements associated with discharges to homes. A similar OIG audit report, released in February 2019, focused on improper payments for SNF services when the Medicare three-day inpatient hospital stay requirement was not met. In 2021, the OIG released the result of an audit finding that Medicare overpaid millions of dollars of chronic care management (CCM) services. The OIG's 2021 report found that in calendar years 2017 and 2018, Medicare overpaid millions of dollars in CCM claims. In 2022, the OIG released an audit revealing that CMS had not collected $226 million, or 45%, of identified overpayments within that period, potentially affecting SNFs. These investigatory actions by OIG demonstrate its increased scrutiny into post-hospital SNF care provided to beneficiaries and may encourage additional oversight or stricter compliance standards.

On numerous occasions, CMS has indicated its intent to vigilantly monitor overall payments to SNFs, paying particular attention to facilities that have high reimbursements for ultra-high therapy, therapy resource utilization groups with higher activities of daily living scores and long average lengths of stay. The OIG recognizes that there is a strong financial incentive for facilities to bill for higher levels of therapies, even when not needed by patients. We cannot predict the extent to which the OIG's recommendations to CMS will be implemented and, what effect, if any, such proposals would have on us. We expect for regulators to continue to focus on post-hospital SNF care, which may result in additional oversight or stricter compliance standards.

Facilities

PACS Services. Our PACS Services' main office is located in Farmington, Utah. The property consists of approximately 35,000 square feet of usable office space.

Operating Facilities. As of December 31, 2023, we operated 208 post-acute care facilities in Arizona, California, Colorado, Kentucky, Missouri, Nevada, Ohio, South Carolina and Texas, with the operational capacity to serve approximately 23,640 patients with 22,950 skilled nursing beds and 690 assisted living beds. Of these post-acute care facilities, we leased 165 facilities, directly owned the real estate at 29 facilities and had joint ventures for 14 facilities. In addition, in the first quarter of 2024, we acquired 10 facilities (seven leased facilities representing 1,084 skilled nursing beds in California and three owned facilities representing 250 skilled nursing beds and 174 assisted living beds in Missouri) and executed 3 purchase options (two in South Carolina and one in Nevada) resulting in 3 additional owned properties.

The following table provides summary information regarding the location of our post-acute care facilities and operational beds by property type as of December 31, 2023:

	Leased		Owned		Total	
	Facilities	Beds/Units	Facilities	Beds/Units	Facilities	Beds/Units
Arizona	9	1,219	—	—	9	1,219
California	109	12,524	22	2,086	131	14,610
Colorado	19	2,210	1	242	20	2,452
Kentucky	5	596	2	340	7	936
Missouri	2	160	—	—	2	160
Nevada	4	335	—	—	4	335
Ohio	6	637	—	—	6	637
South Carolina	22	2,483	2	236	24	2,719
Texas	3	290	2	282	5	572

Legal Proceedings

We are subject to various legal proceedings, claims, and governmental inspections, audits, and investigations that arise in the ordinary course of our business. Although the results of these legal proceedings, claims, and investigations cannot be predicted with certainty, we do not believe that the final outcome of any matters that we are currently involved in are reasonably likely to have a material adverse effect on our business, financial condition or results of operations. Regardless of final outcomes, however, any such proceedings, claims, and investigations may nonetheless impose a significant burden on management and employees and be costly to defend, with unfavorable preliminary or interim rulings.

MANAGEMENT

Directors and Executive Officers

The following table sets forth information regarding our directors and executive officers as of the date hereof.

Name	Age	Position
Executive Officers		
Jason Murray[(1)]	44	Director, Co-Founder, Chief Executive Officer and Chairman
Mark Hancock[(1)(2)]	48	Director, Co-Founder and Executive Vice Chairman
Joshua Jergensen	39	President and Chief Operating Officer
Derick Apt	40	Chief Financial Officer
John Mitchell	48	Chief Legal Officer and Secretary
Peter (P.J.) Sanford	38	President, Providence Administrative Consulting Services, Inc.
Michelle Lewis	47	Chief Accounting Officer
Joseph Lee	45	Chief Compliance Officer
Non-Employee Directors		
Jacqueline Millard[(1)(2)(3)]	62	Director
Taylor Leavitt[(1)(2)(3)]	46	Director

(1) Member of the Nominating and Corporate Governance Committee.
(2) Member of the Audit Committee.
(3) Member of the Compensation Committee.

Executive Officers

Jason Murray has served as our Chief Executive Officer and a member of our board of directors since January 2013 and has served as Chairman since January 2024. Mr. Murray co-founded our company and has worked in the post-acute sector for 23 years. Prior to our founding, Mr. Murray was an Operations Officer for Intermountain Healthcare, Inc. a non-profit healthcare system, from June 2011 to January 2013 where he was the interim Chief Executive Officer of Park City Medical Center from June 2012 to October 2012. From February 2009 to June 2011, Mr. Murray served as a nursing home administrator with Plum Healthcare Group, a skilled nursing facility operator. Mr. Murray received a B.A. in Healthcare Administration and a Master of Healthcare Administration from Weber State University. We believe Mr. Murray is qualified to serve on our board of directors because of his business acumen, executive leadership and extensive knowledge of our business.

Mark Hancock has served as our Executive Vice Chairman since January 2024 and a member of our board of directors since January 2013 and previously served as our Chief Financial Officer and Secretary from January 2013 to January 2024. Mr. Hancock is also a co-founder of our company. Prior to our founding, Mr. Hancock was Vice President of Finance and Treasurer of Farm Credit Mid-America, a financial services provider, from 2010 to 2013 and served as a nursing home administrator at a facility affiliated with Plum Healthcare Group, a skilled nursing facility operator, from 2009 to 2010. From 2007 to 2009, Mr. Hancock was the Director of Corporate Finance for Steel Technologies Inc., a publicly traded steel processor, and served as a Finance Manager for Ford Motor Company, a publicly traded multinational automobile manufacturer, from 2000 to 2007. Mr. Hancock received a B.S. in Civil Engineering and a Master of Business Administration with a focus in Finance from Brigham Young University. We believe Mr. Hancock is qualified to serve on our board of directors because of his extensive leadership experience, financial expertise and strong understanding of our business.

Joshua Jergensen has served as our President and Chief Operating Officer since January 2023. Prior to that, Mr. Jergensen served as our Executive Vice President of Operations from July 2014 to January 2023. From October

2009 to July 2014, Mr. Jergensen was a nursing home administrator at Balboa Nursing and Rehabilitation Center, one of our affiliated skilled nursing facilities. Mr. Jergensen received a B.S. in Business Management with an emphasis in Finance from Brigham Young University and a Master of Healthcare Administration from the University of Southern California.

Derick Apt has served as our Chief Financial Officer since January 2024 and previously served as our Executive Vice President, Chief Investment Officer and Treasurer from January 2023 to January 2024. Prior to that, Mr. Apt served as our Executive Vice President of Corporate Finance and Treasurer since joining our company in April 2018. From February 2015 to April 2018, Mr. Apt was Manager of Treasury and Finance for Vivint, Inc., a smart home platform company. Prior to Vivint, Mr. Apt worked at Intermountain Healthcare's Treasury department and began his finance career at Goldman Sachs. Mr. Apt received a B.S. in Biological Engineering from the University of Missouri and a Master of Business Administration from the George Washington University School of Business.

John Mitchell has served as our Chief Legal Officer since January 2023. Prior to that, Mr. Mitchell served as our Executive Vice President and General Counsel since joining our company in January 2017. From April 2016 to November 2016, Mr. Mitchell served as Vice President, Legal at HCP, a publicly traded REIT. Prior to that, Mr. Mitchell was Senior Vice President of Legal Affairs and Chief Compliance Officer of Skilled Healthcare Group, Inc., a publicly traded provider of post-acute healthcare services, from January 2011 to May 2015. Mr. Mitchell received a B.A. in History and a J.D. from Brigham Young University.

Peter (P.J.) Sanford has served as President of Providence Administrative Consulting Services, Inc., which provides PACS Services, since January 2024. Prior to that, Mr. Sanford served as our Chief Administrative Officer from January 2023 to December 2023 and as our Executive Vice President of Operations and Finance from October 2015 to January 2023. From December 2012 to October 2015, Mr. Sanford served as a nursing home administrator at Paradise Valley Health Care Center, one of our affiliated skilled nursing facilities. Mr. Sanford received a B.A. in English with a minor in Business from Brigham Young University and received a Master of Business Administration from the University of Michigan.

Michelle Lewis has served as our Chief Accounting Officer since January 2023. Prior to that, Ms. Lewis served in various roles of increasing responsibility, including as our Controller, since joining our company in July 2018. Prior to that, Ms. Lewis owned and operated Michelle Lewis Accounting Services, PLLC, a certified public accounting firm, and also provided controller functions at a privately held healthcare organization, from January 2008 to May 2015. Ms. Lewis received a B.S. in Business Administration from the California State University, East Bay.

Joseph Lee has served as our Chief Compliance Officer since February 2024. Prior to that, Mr. Lee served in various senior leadership positions, including as our Senior Vice President of Support Services, since joining our company in June 2017. From January 2016 to May 2017, Mr. Lee served as a branch president of operations for Plum Healthcare Group, a skilled nursing facility operator. Prior to that, Mr. Lee served as an executive director and administrator at facilities affiliated with Plum Healthcare Group from February 2010 to December 2015. Mr. Lee received a B.S. in Sociology from Brigham Young University and a J.D. from Gonzaga University School of Law.

Non-Employee Directors

Jacqueline Millard has served as a member of our board of directors since July 2023. Since January 2021, Ms. Millard has owned and operated a private investment advisory firm. Previously, Ms. Millard was the Vice President and Chief Investment Officer of Intermountain Healthcare, Inc., a non-profit healthcare system, from June 1993 to January 2021. Ms. Millard received a B.S. in Finance from Weber State University and a Master of Business Administration from Westminster College. We believe Ms. Millard is qualified to serve on our board of directors because of her extensive financial and leadership experience.

Taylor Leavitt has served as a member of our board of directors since July 2023. Mr. Leavitt owns and has served as the Chief Executive Officer and Managing Partner of Leavitt Equity Partners, a healthcare-focused private equity firm, since August 2014. Mr. Leavitt currently serves on the board of directors of several private entities that provide healthcare services. Previously, Mr. Leavitt was a co-founder and Partner of Leavitt Partners, a healthcare strategy consulting firm, from June 2009 to December 2020. Mr. Leavitt received a B.S. in Finance and Economics from Utah State University and a Master of Business Administration from the UCLA Anderson School of Management. We believe Mr. Leavitt is qualified to serve on our board of directors because of his strong business acumen and extensive experience in finance and investing.

Family Relationships

There are no family relationships among any of our directors or executive officers.

Board Composition

Our board of directors currently consists of four directors. When considering whether directors have the experience, qualifications, attributes, or skills, taken as a whole, to enable our board of directors to satisfy its oversight responsibilities effectively in light of our business and structure, the board of directors focuses primarily on each person's background and experience as reflected in the information discussed in each of the directors' individual biographies set forth above. We believe that our directors provide an appropriate mix of experience and skills relevant to the size and nature of our business.

Board Leadership Structure

Upon the completion of this offering, Mr. Murray will become our chairman. As Mr. Murray is not an "independent director," our board of directors has appointed Taylor Leavitt to serve as our lead independent director. The lead independent director's responsibilities include, but are not limited to: presiding over all meetings of the board of directors at which the chairman of our board of directors is not present, including any executive sessions of the independent directors; approving board meeting schedules and agendas; and acting as the liaison between the independent directors on the one hand and the chief executive officer, chairman of our board of directors and executive chairman on the other. Our corporate governance guidelines provide the flexibility for our board of directors to modify our leadership structure in the future as it deems appropriate.

Classified Board

Our Amended and Restated Charter will provide that, upon the completion of this offering, our board of directors will be divided into three classes with staggered three-year terms. Upon expiration of the term of a class of directors, directors for that class will be elected for three-year terms at the annual meeting of stockholders in the year in which that term expires. As a result, only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Our directors will be divided among the three classes as follows:

- Class I directors, whose initial term will expire at our first annual meeting of stockholders following this offering, will consist of Jacqueline Millard and Taylor Leavitt;
- Class II directors, whose initial term will expire at our second annual meeting of stockholders following this offering, will consist of Mark Hancock; and
- Class III directors, whose initial term will expire at our third annual meeting of stockholders following this offering, will consist of Jason Murray.

We expect that any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the total number of directors.

The classification of our board of directors may have the effect of delaying or preventing changes in our control or management. See the section titled "Description of Capital Stock—Description of Capital Stock—Anti-Takeover

Effects of Provisions of the General Corporation Law of the State of Delaware and our Amended and Restated Charter and Amended and Restated Bylaws” for additional information.

Amended and Restated Charter and Stockholders Agreement

Our Amended and Restated Charter will provide that the authorized number of directors may be changed exclusively by one or more resolution adopted from time to time by our board of directors, and that each director shall hold office until his or her successor is duly elected and qualified or until his or her earlier death, resignation, disqualification or removal.

Our Amended and Restated Charter will grant Messrs. Murray and Hancock board designation rights. Mr. Murray will have the right, but not the obligation, to designate (i) up to two individuals for inclusion in our slate of director nominees if he beneficially owns at least 20% of the aggregate number of shares of common stock outstanding immediately following this offering or (ii) one individual for inclusion in our slate of director nominees if he beneficially owns less than 20% but at least 10% of the aggregate number of shares of common stock outstanding immediately following this offering. Mr. Hancock will have the right, but not the obligation, to designate (i) up to two individuals for inclusion in our slate of director nominees if he beneficially owns at least 20% of the aggregate number of shares of common stock outstanding immediately following this offering or (ii) one individual for inclusion in our slate of director nominees if he beneficially owns less than 20% but at least 10% of the aggregate number of shares of common stock outstanding immediately following this offering.

Each of Messrs. Murray and Hancock will also have the right to fill any vacancies created by reason of death, resignation, disqualification or removal of their respective designees. These rights are also affirmed in the Stockholders Agreement that we intend to enter into with Messrs. Murray and Hancock, and these rights will terminate upon the termination of the Stockholders Agreement. See “Certain Relationships and Related Party Transactions—Stockholders Agreement” for more information. If the number of individuals that Messrs. Murray and Hancock have the right to designate is decreased because of a decrease in their respective ownership or upon termination of the Stockholders Agreement, then the corresponding designee (if such designee is serving on our board of directors) may remain on our board of directors through the end of his or her then current term; provided, that a director may resign at any time regardless of the period of time left in his or her then current term.

As a result, immediately following this offering, Messrs. Murray and Hancock will each have the right to designate two directors for nomination to our board of directors, and will collectively have the right to designate four directors, which represents the entirety of our current four member board of directors.

In addition, our Amended and Restated Charter will provide for the removal of any of our directors at any time with or without cause by the affirmative vote of the holders of a majority of the voting power of the then outstanding shares of our voting stock entitled to vote thereon; provided, however, that at any time when Messrs. Murray and Hancock beneficially own, in the aggregate, less than the majority of the voting power of our outstanding shares of voting stock, directors may be removed only for cause and only by the affirmative vote of the holders of at least 66 2/3% of the voting power of the then outstanding shares of our voting stock entitled to vote thereon. As a result, following this offering and for so long as Messrs. Murray and Hancock own, in the aggregate, more than a majority of the voting power of our outstanding shares of our voting stock, they will be able to remove any of our directors at any time with or without cause.

Furthermore, our Amended and Restated Charter will also provide that, at any time when Messrs. Murray and Hancock beneficially own, in the aggregate, at least a majority of the voting power of our outstanding shares of voting stock, our stockholders may take action by written consent without a meeting, and at any time when Messrs. Murray and Hancock beneficially own, in the aggregate, less than the majority of the voting power of our outstanding shares of voting stock, our stockholders may not take action by written consent and may only take action at a meeting of stockholders. As a result, following this offering and for so long as Messrs. Murray and Hancock own, in the aggregate, more than a majority of the voting power of our outstanding shares of our voting stock, they may take action by written consent without a meeting of stockholders.

See the section titled "Description of Capital Stock—Designation Rights" and "Description of Capital Stock—Anti-Takeover Effects of Provisions of the General Corporation Law of the State of Delaware and our Amended and Restated Charter and Amended and Restated Bylaws" for additional information.

Director Independence and Controlled Company Exception

The rules of the New York Stock Exchange define a "controlled company" as a company of which more than 50% of the voting power for the election of directors is held by an individual, a group or another company. Following this offering Messrs. Murray and Hancock will collectively own approximately 87.1% of the voting power of our common stock (or approximately 85.2% if the underwriters exercise their option to purchase additional shares of our common stock from the selling stockholders in full). As such, we will be a "controlled company" under the rules of the New York Stock Exchange. As a result, we will qualify for exemptions from, and will elect not to comply with, certain corporate governance requirements under the rules, including the requirements that within one year of the completion of this offering we have a board that is composed of majority of "independent directors," as defined under the rules, and a nominating and corporate governance committee that is composed entirely of independent directors.

Even though we will be a controlled company, we are required to comply with the rules of the SEC and the New York Stock Exchange relating to the membership, qualifications and operations of the audit committee, as discussed below, which require us to have an audit committee that is composed entirely of independent directors. Under these rules, we must have at least one independent director on our audit committee upon the listing of our common stock, have a majority of independent directors on our audit committee within 90 days of the listing date and at least three directors, all of whom must be independent, on our audit committee within one year of the listing date. We expect to have two independent directors upon the listing of our common stock on the New York Stock Exchange who will qualify as independent for audit committee purposes. Mr. Hancock, who is not an independent director for audit committee purposes, will serve on the audit committee until an independent director is appointed. We will have one year from the listing date to comply with these audit committee independence requirements.

If we cease to be a controlled company and our common stock continues to be listed on the New York Stock Exchange, we will be required to take all action necessary to comply with applicable rules, including by having a majority of independent directors and ensuring we have a compensation committee and a nominating and corporate governance committee, each composed entirely of independent directors, subject to specified transition periods applicable to certain requirements, as the case may be. See the sections titled "Management—Director Independence and Controlled Company Exception" and "Risk Factors—Upon the listing of our common stock on the New York Stock Exchange, we will be a "controlled company" within the meaning of the corporate governance standards of the New York Stock Exchange. We intend to rely on exemptions from certain corporate governance standards. You will not have the same protections afforded to stockholders of companies that are subject to such requirements."

Prior to the consummation of this offering, our board of directors undertook a review of the independence of our directors and considered whether any director has a material relationship with us that could compromise that director's ability to exercise independent judgment in carrying out that director's responsibilities. Our board of directors has affirmatively determined that Jacqueline Millard and Taylor Leavitt are each an "independent director," as defined under the Exchange Act and the rules of the New York Stock Exchange.

Risk Oversight

Our board of directors is responsible for overseeing our risk management process. Our board of directors focuses on our general risk management strategy, the most significant risks facing us, and oversees the implementation of risk mitigation strategies by management. Our board of directors is also apprised of particular risk management matters in connection with its general oversight and approval of corporate matters and significant transactions.

Board Committees

Our board of directors has established an audit committee, a compensation committee, and nominating and corporate governance committee, each of which has the composition and the responsibilities described below. In addition, from time to time, special committees may be established under the direction of our board of directors when necessary to address specific issues.

Each of the audit committee, the compensation committee, and nominating and corporate governance committee operates under a written charter that was approved by our board of directors in connection with our initial public offering. A current copy of each of the audit committee, compensation committee, and nominating and corporate governance committee charters are available on our corporate website at *www.pacs.com*. The reference to our website address in this prospectus does not include or incorporate by reference the information on our website into this prospectus. We have included our website address in this prospectus solely as an inactive textual reference.

Our board of directors directs the management of our business and affairs, as provided by Delaware law, and conducts its business through meetings of the board of directors and standing committees. We will have a standing audit committee, compensation committee, and nominating and corporate governance committee. In addition, from time to time, special committees may be established under the direction of the board of directors when necessary to address specific issues.

Audit Committee

Our audit committee will be responsible for, among other things:

- appointing, compensating, retaining, evaluating, terminating, and overseeing our independent registered public accounting firm;
- discussing with our independent registered public accounting firm their independence from management;
- reviewing with our independent registered public accounting firm the scope and results of their audit;
- approving all audit and permissible non-audit services to be performed by our independent registered public accounting firm;
- overseeing the financial reporting process and discussing with management and our independent registered public accounting firm the interim and annual financial statements that we file with the SEC;
- reviewing and monitoring our accounting principles, accounting policies, financial and accounting controls, and compliance with legal and regulatory requirements;
- reviewing our policies on risk assessment and risk strategy and management, including risk policies and risk mitigation strategies by management;
- reviewing related party transactions; and
- establishing procedures for the confidential anonymous submission of concerns regarding questionable accounting, internal controls, or auditing matters.

Upon the consummation of this offering, our audit committee will consist of Jacqueline Millard, Mark Hancock, and Taylor Leavitt, with Ms. Millard serving as chair. Pursuant to Rule 10A-3 of the Exchange Act and the New York Stock Exchange rules, we must have at least one independent director on our audit committee upon the listing of our common stock, have a majority of independent directors on our audit committee within 90 days of the listing date and at least three directors, all of whom must be independent, on our audit committee within one year of the listing date. Our board of directors has affirmatively determined that Ms. Millard and Mr. Leavitt each meet the definition of "independent director" for purposes of serving on the audit committee under Rule 10A-3 and the New York Stock Exchange rules. Accordingly, we expect to have two independent directors upon the listing of our common stock on the New York Stock Exchange who will qualify as independent for audit committee purposes. Mr. Hancock, who is not an independent director for audit committee purposes, will serve on the audit committee until an independent director is appointed. We will have one year from the listing date to comply with the audit committee independence requirements. Each member of our audit committee meets the financial literacy requirements of the New York Stock Exchange listing standards. In addition, our board of directors has determined that Ms. Millard will qualify as an "audit committee financial expert," as such term is defined in Item 407(d)(5) of Regulation S-K. Our board of directors will adopt a new written charter for the audit committee, which will be available on our website at *www.pacs.com* substantially concurrently with the consummation of this offering. The information on, or that can be accessed through, our website is deemed not to be incorporated in this prospectus or to be part of this prospectus.

Compensation Committee

Our compensation committee will be responsible for, among other things:

- reviewing and approving, or recommending that our board of directors approve, the compensation of our Chief Executive Officer, Executive Vice Chairman and other executive officers;
- appointing and overseeing any compensation consultants;
- reviewing and approving or making recommendations to our board of directors regarding our incentive compensation and equity-based plans;
- reviewing and making recommendations to our board of directors with respect to director compensation;
- reviewing and discussing annually with management our "Compensation Discussion and Analysis" disclosure if and to the extent then required by SEC rules; and
- preparing the compensation committee report if and to the extent then required by SEC rules.

Upon the consummation of this offering, our compensation committee will consist of Taylor Leavitt and Jacqueline Millard, with Mr. Leavitt serving as chair. Our board has determined that Mr. Leavitt and Ms. Millard are "non-employee directors" as defined in Section 16b-3 of the Exchange Act. Our board of directors will adopt a new written charter for the compensation committee, which will be available on our website at *www.pacs.com* substantially concurrently with the consummation of this offering. The information on, or that can be accessed through, our website is deemed not to be incorporated in this prospectus or to be part of this prospectus. The composition of our compensation committee meets the New York Stock Exchange requirements for independence under the current listing standards and SEC rules and regulations, including the exemptions available to controlled companies.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee will be responsible for, among other things:

- identifying individuals qualified to become members of our board of directors, consistent with criteria approved by our board of directors;
- reviewing and making recommendations to our board with respect to management succession planning;
- evaluating the overall effectiveness of our board of directors and its committees; and

- reviewing developments in corporate governance compliance and developing and recommending to our board of directors a set of corporate governance guidelines and principles.

Upon the consummation of this offering, our nominating and corporate governance committee will consist of Mark Hancock, Taylor Leavitt, Jacqueline Millard, and Jason Murray, with Ms. Millard serving as chair. Our board of directors will adopt a new written charter for the nominating and corporate governance committee, which will be available on our website at *www.pacs.com* substantially concurrently with the consummation of this offering. The information on, or that can be accessed through, our website is deemed not to be incorporated in this prospectus or to be part of this prospectus. The composition of our nominating and corporate governance committee meets the New York Stock Exchange requirements for independence under the current listing standards and SEC rules and regulations, including the exemptions available to controlled companies.

Compensation Committee Interlocks and Insider Participation

None of the members of the compensation committee is currently, or has been at any time, one of our executive officers or employees. None of our executive officers serves as a member of the board of directors or compensation committee (or other committee performing equivalent functions) of any entity that has one or more executive officers serving on our board of directors or compensation committee.

Board Diversity

Our nominating and corporate governance committee will be responsible for reviewing with the board of directors, on an annual basis, the appropriate characteristics, skills and experience required for the board of directors as a whole and its individual members. Although our board of directors does not have a formal written diversity policy with respect to the evaluation of director candidates, in its evaluation of director candidates, our nominating and corporate governance committee will consider factors including, without limitation, issues of character, integrity, judgment, potential conflicts of interest, other commitments, and diversity, and with respect to diversity, such factors as gender, race, ethnicity, experience, and area of expertise, as well as other individual qualities and attributes that contribute to the total diversity of viewpoints and experience represented on the board of directors.

Code of Ethics and Code of Conduct

Prior to the completion of this offering, we intend to adopt a written code of business conduct and ethics that applies to our directors, officers, and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. We intend to post a copy of the code on our website, *www.pacs.com*. In addition, we intend to post on our website all disclosures that are required by law or the New York Stock Exchange listing standards concerning any amendments to, or waivers from, any provision of the code. The information on, or that can be accessed through, our website is deemed not to be incorporated in this prospectus or to be part of this prospectus.

COMPENSATION DISCUSSION AND ANALYSIS

This section provides an overview and analysis of the compensation awarded to or earned by our "named executive officers," including the elements of our compensation program for our named executive officers, material compensation decisions made under that program for fiscal 2023 and the material factors considered in making those decisions. Where relevant, the discussion below also reflects certain contemplated changes to our compensation programs that we intend to implement following the effectiveness of the registration statement of which this prospectus forms a part. Our named executive officers for 2023 (and their current positions) are:

- Jason Murray, Director, Co-Founder, Chief Executive Officer and Chairman;
- Mark Hancock, Director, Co-Founder and Executive Vice Chairman;
- Josh Jergensen, President and Chief Operating Officer;
- Peter (P.J.) Sanford, President of Providence Administrative Consulting Services, Inc.; and
- Derick Apt, Chief Financial Officer.

Effective January 1, 2024, Mark Hancock resigned as our Chief Financial Officer and Secretary and was appointed as our Executive Vice Chairman. In connection with Mr. Hancock's resignation as Chief Financial Officer, Derick Apt, previously our EVP, Chief Investment Officer and Treasurer, was appointed as our Chief Financial Officer.

This discussion may contain forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs that we adopt following the completion of this offering may differ materially from the currently planned programs summarized in this discussion.

Executive Compensation Philosophy and Objectives

We believe that for us to be successful we must hire and retain people who can continue to develop our strategy and innovate our services. To achieve these objectives, our executive compensation program has been designed to motivate, reward, attract and retain high caliber management and to align compensation with our short- and long-term business objectives, business strategy and financial performance.

Our compensation programs for our named executive officers are built to support the following objectives:

- attract the top talent in our leadership positions and motivate our executives to deliver the highest level of individual and team impact and results; and
- reward high levels of performance with commensurate levels of compensation.

Determination of Compensation

Our board of directors is responsible for overseeing all aspects of our executive compensation programs, including executive salaries, performance-based incentives and any executive perquisites for our named executive officers. Our board of directors has the authority to engage its own advisors to assist in carrying out its responsibilities. For fiscal 2023, in preparation for this offering, we engaged Pearl Meyer, an outside compensation advisor, for purposes of setting executive or director compensation.

With respect to 2023, Messrs. Murray and Hancock were the sole members of our board of directors at the time our 2023 compensation program was established. No other executive officer participated directly in the final deliberations or determinations regarding his own compensation package. We expect that our board of directors or its compensation committee will review and establish our executive compensation programs following the closing of this offering.

Elements of Our Executive Compensation Program

The primary elements of our named executive officers' compensation and the main objectives of each are:

- *Base Salary.* Base salary attracts and retains talented executives, recognizes individual roles and responsibilities and provides stable income;
- *Performance-Based Bonuses:* Performance-based bonuses promote short-term performance objectives and reward executives for their contributions toward achieving those objectives; and
- *Other Benefits and Perquisites:* In addition, our named executive officers are eligible to participate in our health and welfare programs and our retirement programs. We also provide certain perquisites, which aid in attracting and retaining executive talent.

Each of these elements of compensation is described further below.

Base Salaries

The base salary of each named executive officer is an important part of the officer's total compensation package, and is intended to reflect the officer's respective position, duties and responsibilities. Base salaries provide our named executive officers with a reasonable degree of financial certainty and stability. For fiscal year 2023, the base salaries of our named executive officers were $3,000,000 for each of Messrs. Murray and Hancock and $200,000 for each of Messrs. Jergensen, Sanford and Apt. Our named executive officers' base salaries were not increased from fiscal year 2022.

On December 31, 2023, we terminated the consulting and strategic advisory services agreement between us and Helios Consulting, LLC (Helios), an entity jointly owned and operated by Messrs. Murray and Hancock (the Helios Consulting Agreement), pursuant to which we paid Helios consulting fees for services provided by Messrs. Murray and Hancock. In connection with the termination of the Helios Consulting Agreement, and the reduction in payments made to Messrs. Murray and Hancock, the base salaries for each of Messrs. Murray and Hancock were increased to $5,000,000, effective as of January 1, 2024. See the section titled "Related Party Agreement in Effect Prior to this Offering—Helios Consulting Agreement" below for additional information about the Helios Consulting Agreement.

Additionally, in connection with Mr. Apt's appointment as our Chief Financial Officer, his base salary was increased to $400,000, effective January 1, 2024.

Upon the consummation of this offering, the base salaries for our named executive officers will be $500,000 for Messrs. Murray, Hancock, Jergensen and $400,000 for Messrs. Sanford and Apt.

2023 Bonuses

In addition to base salaries, certain named executive officers are eligible to receive performance-based cash bonuses, which are designed to provide appropriate incentives to our executives to increase our operating subsidiaries' net income, and to reward our executives for achievements towards this goal. The performance-based bonus each named executive officer is eligible to receive is equal to a percentage of the monthly net income of our operating subsidiaries.

For 2023, Messrs. Jergensen, Sanford and Apt were each eligible to receive a performance-based bonus equal to 3.0%, 2.0% and 0.75% of the monthly net income of our operating subsidiaries, respectively. For Messrs. Jergensen and Sanford, 0.25% of each earned monthly bonus will be earned and paid only if we achieve certain clinical criteria for the year. For 2023, Messrs. Jergensen, Sanford, and Apt's aggregate performance-based bonuses earned based on net income of our operating subsidiaries was $7,482,275, $4,796,975, and $2,408,635, respectively. In addition, Messrs. Jergensen and Sanford's aggregate performance-based bonuses earned based on achievement of certain clinical criteria in 2023 was $581,538.

Additionally, in connection with Mr. Apt's appointment as our Chief Financial Officer, his bonus opportunity was increased to 2.0% of the monthly net income of our operating subsidiaries, effective January 1, 2024.

For 2023, Mr. Apt also was eligible to receive performance-based bonus(es) based on the net operating income (NOI) of our acquisitions. Specifically, he was eligible to receive bonus(es) equal to 3.0% of the applicable entity's NOI in the first year after the acquisition, 2.0% of the applicable entity's NOI in the second year after the acquisition and 1.0% of the applicable entity's NOI for each year thereafter. Bonuses are payable on the closing anniversary of the applicable acquisition. For 2023, Mr. Apt's aggregate performance-based bonus under this program was $3,216,945.

Equity Compensation

Historically, we have not granted equity awards to our employees and executives, including our named executive officers. However, we view equity-based compensation as a critical component of our balanced total compensation program going forward as a public company. Equity-based compensation creates an ownership culture among our employees that provides an incentive to contribute to the continued growth and development of our business and aligns interest of executives with those of our stockholders.

Accordingly, we adopted a 2024 Incentive Award Plan (2024 Plan), in order to facilitate the grant of cash and equity incentives to directors, employees (including our named executive officers), and consultants of our Company and certain of its affiliates and to enable our Company and certain of its affiliates to obtain and retain the services of these individuals, which is essential to our long-term success. The 2024 Plan will be effective on the day prior to the date the registration statement relating to this prospectus becomes effective. See the section titled "Equity Incentive Award Plans—2024 Incentive Award Plan" below for additional information about the 2024 Plan.

IPO Equity Awards

Our board of directors has approved the grant of restricted stock unit awards pursuant to the 2024 Plan to certain of our employees, including Messrs. Jergensen, Sanford, and Apt, which grants will become effective prior to the completion of this offering (IPO Equity Awards), subject to continued service through the grant date. The aggregate number of restricted stock units underlying the IPO Equity Awards to be granted prior to the completion of the offering will equal approximately 10.25% of the number of shares of our common stock outstanding as of the closing of this offering (disregarding the shares issuable under the 2024 Plan). Of this amount, the awards that will be granted to each of Messrs. Jergensen, Sanford, and Apt will equal approximately 2.00%, 1.00% , and 0.875%, respectively, of the number of shares of our common stock outstanding as of the closing of this offering (disregarding the shares issuable under the 2024 Plan).

Each IPO Equity Award will vest as follows: (i) 25% of the restricted stock units underlying the IPO Equity Award will vest on the grant date, which will occur prior to the closing of this offering, and (ii) 75% of the restricted stock units underlying the IPO Equity Award will vest in substantially equal annual installments on each of the first, second, third, fourth, and fifth anniversaries of the closing of this offering, subject to the executive's continued service with us through the applicable vesting date.

If the executive experiences a termination of service by us without cause, by the executive for good reason, or due to death or disability, a portion of the restricted stock units subject to the IPO Equity Awards will vest in the amount that would have vested during the 12-month period following the date of termination (had the executive remained in continued service with us during such period and assuming that the shares vest in equal monthly installments, rather than annual installments, over the vesting period). If such termination occurs on or within 24 months after a change in control, then all of the executive's remaining unvested restricted stock units subject to the

IPO Equity Award will vest. This accelerated vesting treatment will be subject to the executive's execution and, as applicable, non-revocation of a general release of claims in our favor, and continued compliance with any applicable restrictive covenants.

Deferred Compensation Plan

We currently maintain the Providence Administrative Consulting Services, Inc. Nonqualified Deferred Compensation Plan (Deferred Compensation Plan), as may be amended from time to time, for certain of our employees, including our named executive officers. Participating employees may defer up to 100% of their bonus compensation per plan year.

The Deferred Compensation Plan provides our employees an opportunity to elect to defer a portion of their bonus compensation and to provide a deferred compensation vehicle to which we may credit discretionary contributions and matching contributions pursuant to the terms of the plan. Discretionary and matching contributions, if any, are 100% vested after participants complete three years and five years of service as our full-time employee, respectively. We have not historically made any matching or discretionary contributions under the Deferred Compensation Plan. Participants have an opportunity to earn returns (positive or negative) based on investment options as determined by us. Typically, participants elect a level of risk tolerance for their deferred compensation at the beginning of each fiscal year and the plan administrator invests and manages the asset mix accordingly. In the event of a "separation from service" (as defined in the Deferred Compensation Plan and determined pursuant to Section 409A of the Code), a participant will be paid his or her account balance in two annual installments.

In 2023, Messrs. Jergensen, Sanford and Apt were the only named executive officers to participate in our Deferred Compensation Plan and each elected to defer up to $180,000, $120,000, and $200,000, respectively, of their aggregate 2023 bonus compensation. The "Executive Contributions in Last FY" column of the Non-Qualified Deferred Compensation for 2023 table below shows the actual amounts deferred pursuant to the Deferred Compensation Plan for Messrs. Jergensen, Sanford and Apt in 2023.

Executive Severance Plan

In connection with this offering, we adopted an Executive Severance Plan (Executive Severance Plan) pursuant to which our named executive officers are eligible to receive severance payments upon a qualifying involuntary termination of employment, including in connection with a change in control of our company. These severance arrangements are designed to retain certain of our executives in these key positions as we compete for talented executives in the marketplace where such protections are commonly offered. For a detailed description of the severance provisions contained in our Executive Severance Plan, see the section titled "Potential Payments Upon Termination or Change in Control" below.

Employee Benefits and Perquisites

All of our full-time employees are eligible to participate in our health and welfare plans, including medical, dental and vision benefits, medical and dependent care flexible spending accounts, short-term and long-term disability insurance, and life and accidental death and disability insurance. Our named executive officers are eligible to participate in health and welfare plans on the same basis as other similarly-situated executive officers.

Other Benefits. Certain of our named executive officers participate in a 401(k) retirement savings plan. The Internal Revenue Code allows eligible employees to defer a portion of their compensation, within prescribed limits, on a pre-tax basis through contributions to the 401(k) plan. In 2023, we matched a portion of the contributions to the 401(k) plan on behalf of eligible employees. The discretionary employer match for 2023 was 25% of the participant's contribution to the plan up to a max of 4% of their eligible compensation. We believe that providing a vehicle for tax-deferred retirement savings though our 401(k) plan adds to the overall desirability of our executive compensation package and further incentivizes our employees, including our named executive officers, in accordance with our compensation policies. In addition, we maintain a non-qualified deferred compensation plan for the benefit of certain officers and employees who qualify for participation in the plan, including our named executive officers. See the section titled "—Compensation Discussion and Analysis—Deferred Compensation Plan" for a description of the Deferred Compensation Plan.

Clawback Policy

In connection with this offering, we adopted a compensation recovery policy that is compliant with the listing rules of the national securities exchange or association on which our securities are listed, as required by the Dodd-Frank Act.

Accounting for Share-Based Compensation

While we historically have not issued any stock-based compensation awards and currently do not have any outstanding stock-based compensation awards, in connection with this offering, we intend to issue stock-based compensation awards and follow Financial Accounting Standard Board Accounting Standards Codification Topic 718, Compensation — Stock Compensation (ASC Topic 718). ASC Topic 718 requires companies to measure the compensation expense for all share-based awards made to employees and directors, including stock options and RSUs, based on the grant-date fair value of these awards.

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EXECUTIVE COMPENSATION TABLES

2023 Summary Compensation Table

The following table contains information about the compensation earned by each of our named executive officers during our most recently completed fiscal year ended December 31, 2023.

Name and Principal Position	Year	Salary ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (1)	All Other Compensation ($)(2)	Total ($)
Jason Murray *Co-Founder, Chief Executive Officer and Chairman*	2023	3,000,000	—	—	2,056,976	5,056,976
Mark Hancock *Co-Founder, Executive Vice Chairman and former Chief Financial Officer and Secretary*	2023	3,000,000	—	—	2,056,976	5,056,976
Josh Jergensen *President and Chief Operating Officer*	2023	200,000	8,063,813 (3)	61,808	31,208	8,356,829
PJ Sanford *President of Providence Administrative Consulting Services, Inc. and former Chief Administrative Officer*	2023	200,000	5,378,513 (3)	18,917	32,299	5,629,729
Derick Apt *Chief Financial Officer and former Chief Investment Officer and Treasurer*	2023	200,000	5,625,580 (3)	23,314	47,722	5,896,616

(1) Represents the above-market earnings on deferred compensation that is not tax-qualified, which is calculated as the excess of the earnings credited on deferred amounts under our Deferred Compensation Plan that were deemed invested in the investment vehicles under such plan over the amount that would have been earned had the deferred amounts been credited with a return equal to 120% of the applicable federal rate in effect for 2023. For more information, see "Nonqualified Deferred Compensation for 2023" table below.

(2) Amounts reported in this column represent our contributions towards our named executive officers' medical insurance premiums ($31,208 for Messrs. Murray, Hancock, Jergensen, and Sanford and $35,021 for Mr. Apt), life insurance premiums ($25,770 for Messrs. Murray and Hancock), life and disability insurance premiums ($1,091 for Mr. Sanford and $10,778 for Mr. Apt) and for Mr. Apt $1,923 for our 401(k) match. In addition, $1,999,998 represents amounts paid by us to each of Messrs. Murray and Hancock pursuant to the Helios Consulting Agreement, which was terminated effective December 31, 2023, as further described in detail under "Certain Relationships and Related Party Transactions."

(3) Amounts reflect cumulative payouts earned pursuant to our performance-based bonus programs maintained in 2023, including amounts that were earned but deferred pursuant to our Deferred Compensation Plan, as described below. For Messrs. Jergensen and Sanford, amounts represent aggregate bonus amounts earned in 2023 based on the monthly net income of our operating subsidiaries ($7,482,275 for Mr. Jergensen and $4,796,975 for Mr. Sanford) and achievement of certain clinical criteria ($581,538 for Messrs. Jergensen and Sanford). For Mr. Apt, amount represents aggregate bonus amounts earned in 2023 based on the monthly net income of our operating subsidiaries ($2,408,635) and the NOI of our acquisitions ($3,216,945). Please see the description of such awards under "Elements of Our Executive Officer Compensation program—2023 Bonuses" above.

Grants of Plan-Based Awards in 2023

The following table provides information relating to grants of plan-based awards made to our named executive officers during fiscal 2023.

	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)		
Name	**Threshold ($)**	**Target ($)**	**Maximum ($)**
Jason Murray	—	—	—
Mark Hancock	—	—	—
Josh Jergensen	—	—	—
PJ Sanford	—	—	—
Derick Apt	—	—	—

(1) Amounts shown in these columns represent each named executive officer's annual cash bonus opportunity under our 2023 performance-based bonus program and Mr. Apt's annual cash bonus opportunity related to the NOI of our acquisitions. There are no threshold, target or maximum payouts under these bonus programs given the final payments in respect of such awards are based on a percentage of net income and NOI, as applicable. For additional detail on these awards, please see the description of such awards under "Elements of Our Executive Officer Compensation program—2023 Bonuses" above. The amounts earned by our named executive officers under our bonus programs are reflected in the Summary Compensation Table above.

Employment Arrangements with Our Executive Officers

On December 19, 2023, we entered into an employment offer letter with Mr. Apt in connection with his appointment as our Chief Financial Officer, effective January 1, 2024 (Apt Offer Letter).The Apt Offer Letter provides for an annual base salary of $400,000 and an annual cash bonus opportunity equal to 2% of our monthly net operating income, which is expected to be adjusted to a target amount between 5x – 10x his annual base salary, which amount will be approved by our compensation committee.

We do not have any other existing employment arrangements with our executive officers.

Outstanding Equity Awards at Year-End

Our named executive officer did not hold any unvested equity awards as of December 31, 2023.

Option Exercises and Stock Vested in 2023

None of our named executive officers exercised any stock options or vested in any stock awards during 2023.

Non-Qualified Deferred Compensation for 2023

The following table sets forth information regarding our Deferred Compensation Plan that provides for the deferral of bonus compensation for certain of our employees, including our named executive officers, on a basis that is not tax-qualified, as described further under "Compensation Discussion and Analysis—Deferred Compensation Plan" above.

Name	**Executive Contributions in Last FY ($)(1)**	**Registrant Contributions in Last FY ($)**	**Aggregate Earnings in Last FY ($)(2)**	**Aggregate Withdrawals / Distributions ($)**	**Aggregate Balance at Last FYE ($)**
Jason Murray	—	—	—	—	—
Mark Hancock	—	—	—	—	—
Josh Jergensen	166,667	—	88,197	—	614,285

PJ Sanford	108,000	—	32,806	—	321,576
Derick Apt	183,333	—	33,303	—	298,156

(1) Represents amounts the named executive officer elected to defer in 2023, which are deferred from bonus compensation earned in 2023 and therefore reported in the appropriate column in the Summary Compensation Table.

(2) Represents net amounts credited to the named executive officers' accounts as a result of performance of the investment vehicle in which their accounts were deemed invested. These amounts include above-market earnings, which are reported in the appropriate column in the Summary Compensation Table.

Potential Payments Upon Termination or Change in Control

Prior to our initial public offering, we maintained a long-term incentive compensation program (LTIP) that was intended to provide cash payments to certain of our executives, including Messrs. Jergensen, Sanford and Apt, in connection with a "qualifying sale" of our Company. A "qualifying sale" included a sale, whether through merger, consolidation, combination, the sale of all or substantially all of the Company's assets, or otherwise, of the Company to a third party such that the then-current shareholders of the Company, as measured immediately prior to the closing of the transaction, sold at least 50% of the Company. Any cash payments that could have become payable pursuant to the LTIP would have been based on the participant's individual participation percentage multiplied by the total net cash proceeds that we received in the qualifying sale. Because any potential payments under the LTIP to the participating executives in connection with a qualifying sale presumed to occur on December 31, 2023 would have been based on the total net cash proceeds received in the qualifying sale, such amounts are not quantifiable. We expect to terminate the LTIP in connection with this offering.

Other than as described above with respect to our LTIP, upon a termination of employment or a change in control, prior to the closing of this offering, our named executive officers would not be entitled to any payments or benefits other than those required by applicable law.

Executive Severance Plan

In connection with this offering, we adopted the Executive Severance Plan. The Executive Severance Plan will become effective upon the completion of this offering, and will provide for the payment of certain cash severance and other benefits to participants, including each of our named executive officers, in the event of a qualifying termination of employment with us.

Under the Executive Severance Plan, in the event of a termination of the executive's employment by us without cause or by the executive for good reason, in either case, outside of the 24-month period commencing on a change in control, the executive will be eligible to receive the following payments and benefits:

- cash payments equal to 100% of the executive's then-current annual base salary, paid in substantially equal installments over the 12-month period following the termination date; and

- company-paid COBRA premium payments for the executive and the executive's eligible dependents for up to 12 months.

In the event of a termination of the executive's employment by us without cause or by the executive for good reason, in either case, within the 24-month period commencing on a change in control, the executive will be eligible to receive the following payments and benefits:

- cash payments equal to 200% of the executive's then-current annual base salary, paid in substantially equal installments over the 24-month period following the termination date; and

- company-paid COBRA premium payments for the executive and the executive's eligible dependents for up to 24 months.

An executive's right to receive the severance payments and benefits described above is subject to the execution and, as applicable, non-revocation of a general release of claims in our favor, and continued compliance with any applicable restrictive covenants.

In addition, in the event that any payment under the Executive Severance Plan, together with any other amounts paid to the executive by us, would subject such executive to an excise tax under Section 4999 of the Internal Revenue Code, such payments will be reduced to the extent that such reduction would produce a better net after-tax result for the executive.

Equity Incentive Award Plans

The principal features of our 2024 Plan and ESPP are summarized below. These summaries are qualified in their entirety by reference to the actual text of the applicable plan, each of which is or will be filed as an exhibit to the registration statement of which this prospectus is a part.

2024 Incentive Award Plan

In connection with this offering, our board of directors adopted, and our stockholders approved, the 2024 Plan, under which we may grant cash and equity incentive awards to eligible service providers in order to attract, motivate and retain the talent for which we compete, subject to stockholder approval. The 2024 Plan will become effective on the day prior to the Public Trading Date (as defined in the 2024 Plan). The material terms of the 2024 Plan are summarized below.

Eligibility and Administration. Our employees, consultants and directors and employees and consultants of our subsidiaries are eligible to receive awards under the 2024 Plan. The 2024 Plan is administered by our board of directors with respect to awards to non-employee directors and by our compensation committee with respect to other participants, each of which may delegate its duties and responsibilities to one or more committees of its directors and/or officers (referred to collectively as the plan administrator), subject to the limitations imposed under the 2024 Plan, Section 16 of the Exchange Act, and/or stock exchange rules and other applicable laws. The plan administrator has the authority to take all actions and make all determinations under the 2024 Plan, to interpret the 2024 Plan and award agreements and to adopt, amend and repeal rules for the administration of the 2024 Plan as it deems advisable. The plan administrator also has the authority to determine which eligible service providers receive awards, grant awards, and set the terms and conditions of all awards under the 2024 Plan, including any vesting and vesting acceleration provisions, subject to the conditions and limitations in the 2024 Plan.

Limitation on Awards and Shares Available. The initial aggregate number of shares of our common stock that is available for issuance under the 2024 Plan is equal to 10.25% of the number of shares of our common stock outstanding as of immediately following the completion of this offering (disregarding the shares issuable under the 2024 Plan). We believe the size of the initial share reserve is appropriate because historically we have not granted equity-based compensation and therefore we expect to grant sizable equity awards to certain of our employees in connection with this offering. The size of those awards is intended, in part, to take into account the impact of the termination of the LTIP, and cancellation of each participant's LTIP award, in connection with the offering.

In addition, the number of shares of our common stock available for issuance under the 2024 Plan will be subject to an annual increase on the first day of each calendar year beginning on and including January 1, 2025 and ending on and including January 1, 2034, equal to (A) 2% of the aggregate number of shares of our common stock outstanding on the final day of the immediately preceding calendar year or (B) such smaller number of shares as is determined by our board of directors. The maximum number of shares that may be issued pursuant to the exercise of incentive stock options (ISOs) granted under the 2024 Plan is 50,000,000. Any shares issued pursuant to the 2024 Plan may consist, in whole or in part, of authorized and unissued common stock, treasury common stock or common stock purchased on the open market.

If an award under the 2024 Plan expires, lapses or is terminated, exchanged for, or settled in cash, any shares subject to such award (or portion thereof) may, to the extent of such expiration, lapse, termination, or cash settlement, be used again for new grants under the 2024 Plan. Prior to the tenth anniversary of the effective date of the 2024 Plan, shares tendered or withheld to satisfy the exercise price or tax withholding obligation for any award will not reduce the shares available for grant under the 2024 Plan. Further, the payment of dividend equivalents in cash in conjunction with any awards under the 2024 Plan will not reduce the shares available for grant under the 2024 Plan. However, the following shares may not be used again for grant under the 2024 Plan: (i) shares subject to stock appreciation rights (SARs) that are not issued in connection with the stock settlement of the SAR on exercise, and (ii) shares purchased on the open market with the cash proceeds from the exercise of options.

Awards granted under the 2024 Plan upon the assumption of, or in substitution for, awards authorized or outstanding under a qualifying equity plan maintained by an entity with which we enter into a merger or similar corporate transaction will not reduce the shares available for grant under the 2024 Plan but will count against the maximum number of shares that may be issued upon the exercise of ISOs.

The 2024 Plan provides that the sum of any cash compensation and the aggregate grant date fair value (determined as of the date of the grant under Financial Accounting Standards Board Accounting Standards Codification Topic 718, or any successor thereto) of all awards granted to a non-employee director as compensation for services as a non-employee director during any fiscal year, or director limit, may not exceed an amount equal to $750,000 (increased to $1,000,000 in the calendar year of a non-employee director’s initial service as a non-employee director or any calendar year during which a non-employee director serves as lead independent director), which limits shall not apply to the compensation for any non-employee director who serves in any capacity in addition to that of a non-employee director for which he or she receives additional compensation or any compensation paid prior to the calendar year following the calendar year in which the 2024 Plan becomes effective.

Awards. The 2024 Plan provides for the grant of stock options, including ISOs and nonqualified stock options (NSOs), SARs, restricted stock, dividend equivalents, restricted stock units (RSUs), and other stock or cash based awards. Certain awards under the 2024 Plan may constitute or provide for payment of “nonqualified deferred compensation” under Section 409A of the Code, which may impose additional requirements on the terms and conditions of such awards. All awards under the 2024 Plan will be evidenced by award agreements, which will detail the terms and conditions of awards, including any applicable vesting and payment terms and post-termination exercise limitations. Awards other than cash awards generally will be settled in shares of our common stock, but the applicable award agreement may provide for cash settlement of any award. A brief description of each award type follows.

- *Stock Options and SARs.* Stock options provide for the purchase of shares of our common stock in the future at an exercise price set on the grant date. ISOs, in contrast to NSOs, may provide tax deferral beyond exercise and favorable capital gains tax treatment to their holders if certain holding period and other requirements of the Code are satisfied. SARs entitle their holder, upon exercise, to receive from us an amount equal to the appreciation of the shares subject to the award between the grant date and the exercise date. Unless otherwise determined by our board of directors, the exercise price of a stock option or SAR may not be less than 100% of the fair market value of the underlying share on the grant date (or 110% in the case of ISOs granted to certain significant stockholders), except with respect to certain substitute awards granted in connection with a corporate transaction. The term of a stock option or SAR may not be longer than ten years (or five years in the case of ISOs granted to certain significant stockholders). Conditions applicable to stock options and/or SARs may be based on continuing service, the attainment of performance goals and/or such other conditions as the plan administrator may determine.

- *Restricted Stock and RSUs.* Restricted stock is an award of nontransferable shares of our common stock that are subject to certain vesting conditions and other restrictions. RSUs are contractual promises to deliver shares of our common stock in the future, which may also remain forfeitable unless and until specified conditions are met and may be accompanied by the right to receive the equivalent value of dividends paid on shares of our common stock prior to the delivery of the underlying shares (i.e., dividend equivalent rights). The plan administrator may provide that the delivery of the shares underlying RSUs will be deferred on a mandatory basis or at the election of the participant. The terms and conditions applicable to RSUs will be determined by the plan administrator, subject to the conditions and limitations contained in the 2024 Plan. Conditions applicable to restricted stock and RSUs may be based on continuing service, the attainment of performance goals and/or such other conditions as the plan administrator may determine.

- *Other Stock or Cash Based Awards.* Other stock or cash based awards are awards of cash, fully vested shares of our common stock and other awards valued wholly or partially by referring to, or otherwise based on, shares of our common stock. Other stock or cash based awards may be granted to participants and may also be available as a payment form in the settlement of other awards, as standalone payments and as payment in lieu of compensation to which a participant is otherwise entitled.

- *Dividend Equivalents.* Dividend equivalents represent the right to receive the equivalent value of dividends paid on shares of our common stock and may be granted alone or in tandem with awards other than stock options or SARs. Dividend equivalents are credited as of the dividend record dates during the period between the date an award is granted and the date such award vests, is exercised, is distributed, or expires, as determined by the plan administrator. Dividend equivalents payable with respect to an award prior to the vesting of such award instead will be paid out to the participant only to the extent that the vesting conditions are subsequently satisfied and the award vests.

Certain transactions. The plan administrator has broad discretion to act under the 2024 Plan, as well as make adjustments to the terms and conditions of existing and future awards, to prevent the dilution or enlargement of intended benefits and facilitate necessary or desirable changes in the event of certain transactions and events affecting our common stock, such as stock dividends, stock splits, mergers, acquisitions, consolidations and other corporate transactions. In addition, in the event of certain non-reciprocal transactions with our stockholders known as “equity restructurings,” the plan administrator will make equitable adjustments to the 2024 Plan and outstanding awards. In the event of a change in control (as defined in the 2024 Plan), to the extent that the surviving entity declines to continue, convert, assume, or replace outstanding awards, then all such awards will become fully vested and exercisable in connection with the transaction. Upon or in anticipation of a change in control, the plan administrator may cause any outstanding awards to terminate at a specified time in the future and give the participant the right to exercise such awards during a period of time determined by the plan administrator in its sole discretion. Individual award agreements may provide for additional accelerated vesting and payment provisions.

Repricing. Our board of directors may, without approval of the stockholders, reduce the exercise price of any stock option or SAR, or cancel any stock option or SAR in exchange for cash, other awards or stock options or SARs with an exercise price per share that is less than the exercise price per share of the original stock options or SARs.

Plan Amendment and Termination. Our board of directors may amend or terminate the 2024 Plan at any time; however, no amendment, other than an amendment that increases the number of shares available under the 2024 Plan, may materially and adversely affect an award outstanding under the 2024 Plan without the consent of the affected participant, and stockholder approval will be obtained for any amendment to the extent necessary to comply with applicable laws. Unless earlier terminated by our board of directors, the 2024 Plan will remain in effect until the tenth anniversary of the Public Trading Date. No awards may be granted under the 2024 Plan after its termination.

Foreign Participants, Claw-back Provisions, Transferability and Participant Payments. The plan administrator may modify award terms, establish subplans and/or adjust other terms and conditions of awards, subject to the share limits described above, in order to facilitate grants of awards subject to the laws and/or stock exchange rules of countries outside of the United States. All awards will be subject to any Company clawback policy as set forth in such clawback policy or the applicable award agreement. Awards under the 2024 Plan are generally non-transferrable, except by will or the laws of descent and distribution, or, subject to the plan administrator’s consent, pursuant to a domestic relations order, and are generally exercisable only by the participant. With regard to tax withholding, exercise price and purchase price obligations arising in connection with awards under the 2024 Plan, the plan administrator may, in its discretion, accept cash or check, shares of our common stock that meet specified conditions, a “market sell order” or such other consideration as it deems suitable.

2024 Employee Stock Purchase Plan

In connection with this offering, our board of directors adopted, and our stockholders approved, the 2024 Employee Stock Purchase Plan (ESPP). The ESPP authorizes the grant of options to U.S. employees that are intended to qualify for favorable U.S. federal tax treatment under Section 423 of the Code. The material terms of the ESPP are summarized below.

Purpose of the ESPP. The purpose of the ESPP is to assist eligible employees of the Company and its participating subsidiaries in acquiring a stock ownership interest in the Company pursuant to a plan which is intended to qualify as an “employee stock purchase plan” within the meaning of Section 423(b) of the Code.

Eligibility and Administration. Unless otherwise determined by our board of directors, the compensation committee will administer and will have authority to interpret the terms of the ESPP and determine eligibility of participants. The plan administrator may designate certain of our subsidiaries as participating “designated subsidiaries” in the ESPP and may change these designations from time to time. Employees of the Company and its participating designated subsidiaries are eligible to participate in the ESPP if they meet the eligibility requirements under the ESPP established from time to time by the plan administrator. However, an employee may not be granted rights to purchase shares under the ESPP if such employee, immediately after the grant, would own (directly or through attribution) shares possessing 5% or more of the total combined voting power or value of all classes of common stock or other classes of shares.

If the grant of a purchase right under the ESPP to any eligible employee who is a citizen or resident of a foreign jurisdiction would be prohibited under the laws of such foreign jurisdiction or the grant of a purchase right to such employee in compliance with the laws of such foreign jurisdiction would cause the ESPP to violate the requirements of Section 423 of the Code, as determined by the plan administrator in its sole discretion, such employee will not be permitted to participate in the ESPP.

Eligible employees become participants in the ESPP by enrolling and authorizing payroll deductions by the deadline established by the plan administrator prior to the first day of the applicable offering period. Non-employee directors, as well as consultants, are not eligible to participate in the ESPP. Employees who choose not to participate, or are not eligible to participate at the start of an offering period but who become eligible thereafter, may enroll in any subsequent offering period.

Shares Available for Awards. The initial aggregate number of shares of our common stock that will be available for issuance under the ESPP is equal to 1% of the number of shares of our common stock outstanding as of immediately following the completion of this offering (disregarding the shares issuable under the 2024 Plan). In addition, the number of shares of our common stock available for issuance under the ESPP will be annually increased on January 1 of each calendar year beginning in 2025 and ending in and including 2034 by an amount equal to (a) 1% of the shares outstanding on the final day of the immediately preceding calendar year or (b) such smaller number of shares as is determined by our board of directors. The maximum number of shares that may be issued pursuant to the ESPP is 20,000,000.

Any shares issued pursuant to the ESPP may consist, in whole or in part, of authorized and unissued common stock, treasury common stock or common stock purchased on the open market.

Participating in an Offering

Offering Periods and Purchase Periods. We intend for the ESPP to qualify under Section 423 of the Code and stock will be offered under the ESPP during offering periods. The length of the offering periods under the ESPP will be determined by the plan administrator and may be up to 27 months long. Employee payroll deductions will be used to purchase shares on each purchase date during an offering period. The number of purchase periods within, and purchase dates during, each offering period will be established by the plan administrator. Offering periods under the ESPP will commence when determined by the plan administrator. The plan administrator may, in its discretion, modify the terms of future offering periods.

Enrollment and Contributions. The ESPP permits participants to purchase shares through payroll deductions of up to a specified percentage of their eligible compensation (which, in the absence of a contrary designation, shall be 15% of eligible compensation), which will include a participant's gross base compensation for services to us, including overtime payments, periodic bonuses and commissions, and excluding one-time bonuses, expense reimbursements, fringe benefits and other special payments. The plan administrator will establish a maximum number of shares that may be purchased by a participant during any offering period or purchase period, which, in the absence of a contrary designation, will be 5,000 shares for an offering period and/or a purchase period. In addition, no employee will be permitted to accrue the right to purchase stock under the ESPP at a rate in excess of $25,000 worth of shares during any calendar year during which such a purchase right is outstanding (based on the fair market value per share of common stock as of the first day of the offering period).

Purchase Rights. On the first trading day of each offering period, each participant will automatically be granted an option to purchase shares of common stock. The option will be exercised on the applicable purchase date(s) during the offering period to the extent of the payroll deductions accumulated during the offering period. Any remaining balance shall be carried forward to the next offering period unless the participant has elected to withdraw from the plan, as described below, or has ceased to be an eligible employee.

Purchase Price. The purchase price of the shares, in the absence of a contrary designation by the plan administrator, will be 85% of the lower of the fair market value of common stock on the first trading day of the offering period or the applicable purchase date, which will be the final trading day of the applicable purchase period.

Withdrawal and Termination of Employment. Participants may voluntarily end their participation in the ESPP at any time during an offering period by giving written notice to the Company no later than one week prior to the end of the offering period (or such longer or shorter period specified by the plan administrator), and will be paid their accrued payroll deductions that have not yet been used to purchase shares of common stock. Participation in the ESPP ends automatically upon a participant's termination of employment.

Certain Transactions. In the event of certain transactions or events affecting common stock, such as any stock dividend or other distribution, change in control, reorganization, merger, consolidation or other corporate transaction, the ESPP plan administrator will make equitable adjustments to the ESPP and outstanding rights. In addition, in the event of the foregoing transactions or events or certain significant transactions, including a change in control, the plan administrator may provide for (i) either the replacement of outstanding rights with other rights or property or termination of outstanding rights in exchange for cash, (ii) the assumption or substitution of outstanding rights by the successor or survivor corporation or parent or subsidiary thereof, (iii) the adjustment in the number and type of shares of stock subject to outstanding rights, (iv) the use of participants' accumulated payroll deductions to purchase stock on a new purchase date prior to the next scheduled purchase date and termination of any rights under ongoing offering periods or (v) the termination of all outstanding rights. Under the ESPP, a change in control has the same definition as given to such term in the 2024 Plan.

Foreign Participants. The plan administrator may provide special terms, establish supplements to, or amendments, restatements or alternative versions of the ESPP, subject to the share limits described above, in order to facilitate grants of awards subject to the laws and/or stock exchange rules of countries outside of the United States.

Transferability. A participant may not transfer rights granted under the ESPP other than by will or the laws of descent and distribution, and such rights are generally exercisable only by the participant.

Plan Amendment and Termination. The plan administrator may amend, suspend or terminate the ESPP at any time. However, stockholder approval will be obtained for any amendment that increases the aggregate number or changes the type of shares that may be sold pursuant to rights under the ESPP or changes the ESPP in any way that would be considered to be the adoption of a new plan within the meaning of Treasury Regulation Section 1.423-2(c)(4) or cause the ESPP to no longer be an employee stock purchase plan within the meaning of Section 423(b) of the Code.

DIRECTOR COMPENSATION

The following table sets forth information for the year ended December 31, 2023 regarding the compensation awarded to, earned by or paid to our non-employee directors who served on our board of directors during 2023. Ms. Millard and Mr. Leavitt joined our board of directors on July 1, 2023; prior to that time, our board of directors consisted only of Messrs. Murray and Hancock. Messrs. Murray and Hancock do not receive any additional compensation for their board service and therefore are not included in the Director Compensation table below. All compensation paid to Messrs. Murray and Hancock is reported above in the "2023 Summary Compensation Table."

Name	Fees Earned or Paid in Cash ($)[(1)]	Total ($)
Jacqueline Millard	250,000	250,000
Taylor Leavitt	250,000	250,000

(1) Amounts reflect fees paid to each of Mses. Millard and Leavitt pursuant to an initial board retainer fee of $125,000 in connection with their appointment to our board of directors, as well as quarterly fees of $62,500. Our non-employee directors were not granted any equity awards in 2023 nor do they hold any outstanding equity awards as of December 31, 2023.

Post-IPO Director Compensation Program

In connection with this offering, our board of directors adopted, and our stockholders approved, a compensation program (Director Compensation Program), which will become effective upon the closing of this offering. The Director Compensation Program provides for annual retainer fees and equity awards for our non-employee directors, who we refer to as eligible directors. The material terms of the Director Compensation Program are summarized below.

The Director Compensation Program consists of the following components:

Cash Compensation

- Annual Retainer: $80,000
  - Annual Committee Chair Retainers:
    - Audit Chair: $25,000
    - Compensation Chair: $17,500
    - Nominating and Governance Chair: $15,000
  - Annual Committee Member Retainers:
    - Audit Member: $12,500
    - Compensation Member: $8,750
    - Nominating and Governance Member: $7,500

Annual cash retainers will be paid in quarterly installments in arrears and will be pro-rated for any partial calendar quarter of service.

Equity Compensation

Each eligible director who is initially elected or appointed to serve on our Board automatically shall be granted, on the date on which such eligible director is appointed or elected to serve on the Board, a restricted stock unit award with an aggregate value of $160,000, pro-rated to reflect the partial period serving on our Board until the next occurring annual meeting. An eligible director who is serving on our board of directors as of the date of the annual meeting of our stockholders each calendar year (beginning with calendar year 2025) will be granted, on such annual meeting date, a restricted stock unit award with a value of approximately $160,000. Each initial grant and annual grant will vest in full on the earlier to occur of (i) the first anniversary of the applicable grant date and (ii) the date of the next annual meeting following the grant date, subject to such eligible director's continued service through the applicable vesting date.

In addition, each initial award and annual award will vest in full upon a change in control of us (as defined in the 2024 Plan) if the eligible director will not become a member of our board or our ultimate parent as of immediately following such change in control.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In addition to the equity and other compensation and other arrangements discussed in the section titled "Compensation Discussion and Analysis," the following is a description of each transaction since January 1, 2021 and each currently proposed transaction which:

- we have been or are to be a participant;
- the amount involved exceeded or will exceed $120,000; and
- any of our directors, executive officers or, to our knowledge, beneficial owners of more than 5% of our capital stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest.

Related Party Agreement in Effect Prior to this Offering

Helios Consulting Agreement

On July 1, 2021, we entered into a Consulting and Strategic Advisory Services Agreement with Helios Consulting, LLC (Helios), a limited liability company owned and operated by Jason Murray, our Co-Founder, Chief Executive Officer, Chairman and a member of our board of directors, and Mark Hancock, our Executive Vice Chairman and a member of our board of directors (Helios Consulting Agreement), pursuant to which we paid Helios consulting fees for services provided by Messrs. Murray and Hancock. The Helios Consulting Agreement provided for a cash consulting fee of approximately $4 million annually, paid in monthly installments, for consulting and strategic advisory services provided to us by Helios. For the years ended December 31, 2023, 2022 and 2021, we paid approximately $4.0 million, $4.0 million, and $2.3 million (inclusive of approximately $150,000 paid to a subsidiary of Helios), respectively. On December 31, 2023, we terminated the Helios Consulting Agreement.

Subscription Agreements

On March 24, 2023, we entered into subscription agreements with Messrs. Murray and Hancock, pursuant to which Messrs. Murray and Hancock each purchased 64,361,693 shares of our common stock for a purchase price of $10.00, or $0.001 per share, in a private placement concurrent with our incorporation in the State of Delaware and in anticipation of effecting our reorganization on June 30, 2023.

Stockholders Agreement

In connection with this offering, we intend to enter into a new stockholders agreement (Stockholders Agreement) with Messrs. Murray and Hancock. The Stockholders Agreement will affirm the board designation rights granted to each of Messrs. Murray and Hancock pursuant to our Amended and Restated Charter to be filed in connection with this offering, subject to certain limitations and exceptions. Pursuant to the terms of our Amended and Restated Charter and the Stockholders Agreement, we will agree to include in our slate of director nominees certain individuals designated by each of Messrs. Murray and Hancock:

- Mr. Murray will have the right, but not the obligation, to designate (i) up to two individuals for inclusion in our slate of director nominees if he beneficially owns at least 20% of the aggregate number of shares of common stock outstanding immediately following this offering or (ii) one individual for inclusion in our slate of director nominees if he beneficially owns less than 20% but at least 10% of the aggregate number of shares of common stock outstanding immediately following this offering.
- Mr. Hancock will have the right, but not the obligation, to designate (i) up to two individuals for inclusion in our slate of director nominees if he beneficially owns at least 20% of the aggregate number of shares of common stock outstanding immediately following this offering or (ii) one individual for inclusion in our

slate of director nominees if he beneficially owns less than 20% but at least 10% of the aggregate number of shares of common stock outstanding immediately following this offering.

Accordingly, immediately following this offering, Messrs. Murray and Hancock will each have the right to designate two directors for nomination to our board of directors, and will collectively have the right to designate four directors, which represents the entirety of our current four member board of directors. Subject to certain limitations, each of Messrs. Murray and Hancock will also have the right to replace their respective designees and fill any vacancies created by reason of death, resignation, disqualification or removal of their respective designees. If the number of individuals that Messrs. Murray and Hancock have the right to designate is decreased because of a decrease in their respective ownership or upon termination of the Stockholders Agreement, then the corresponding designee (if such designee is serving on our board of directors) may remain on our board of directors through the end of his or her then current term; provided, that a director may resign at any time regardless of the period of time left in his or her then current term.

Pursuant to the Stockholders Agreement, each of Messrs. Murray and Hancock will also agree to vote, or cause to vote, all of their outstanding shares of our common stock at any annual or special meeting of stockholders in which directors are elected, so as to cause the election of their respective designees, in each case to the extent that each or any of Messrs. Murray and Hancock have exercised their right to designate individuals for nomination to the board of directors.

Following this offering, Messrs. Murray and Hancock may pledge a portion of their shares of our common stock owned by them to secure one or more margin loans that they may seek to obtain or enter into with one or more nationally or internationally recognized financial institutions, subject to certain exceptions and specified conditions, including that the aggregate number of shares of our common stock pledged as collateral pursuant to any such margin loans by Messrs. Murray and Hancock during the lock-up period shall not, for each of Messrs. Murray and Hancock, exceed 7.5% of the total number of shares of our common stock issued and outstanding on the closing date of this offering. To the extent that Messrs. Murray and/or Hancock enter into any margin loan, they will retain their ability to vote the shares of our common stock pledged as collateral and any such pledged shares shall not impact their beneficial ownership for purposes of the rights under the Stockholders Agreement or otherwise in connection with matters to be voted on by stockholders. Pursuant to Rule 13d-3(d)(3) under the Exchange Act, a lender under any such margin loans would not beneficially own the pledged shares unless and until such lender has taken all formal steps necessary which are required to declare a default and determines that the power to vote or to direct the vote or to dispose or to direct the disposition of such pledged securities will be exercised.

The Stockholders Agreement will terminate upon the earlier of (i) a change in control or (ii) written agreement of each of Messrs. Murray and Hancock. Following the termination of the Stockholders Agreement, the designation rights granted to each of Messrs. Murray and Hancock pursuant to our Amended and Restated Charter will no longer be exercisable. See the sections titled "Management—Amended and Restated Charter and Stockholders Agreement," "Description of Capital Stock—Designation Rights" and "Description of Capital Stock—Anti-Takeover Effects of Provisions of the General Corporation Law of the State of Delaware and our Amended and Restated Charter and Amended and Restated Bylaws" for additional information.

Registration Rights Agreement

In connection with this offering, we intend to enter into a registration rights agreement (Registration Rights Agreement) with Messrs. Murray and Hancock. The Registration Rights Agreement provides Messrs. Murray and Hancock, under certain circumstances and subject to certain restrictions, with certain rights with respect to the registration of their shares of common stock under the Securities Act, including customary demand and piggyback registration rights. For a description of these registration rights, see "Description of Capital Stock—Registration Rights."

Lease Guarantees

Certain of our operating leases for our facilities include personal guarantees by Messrs. Murray and Hancock and their respective spouses. We will agree to indemnify Messrs. Murray and Hancock and their respective spouses on account of any damage, loss and/or expense that they may incur in connection with the obligations made by them in respect of these lease guarantees.

Director and Officer Indemnification and Insurance

Prior to the consummation of this offering, we intend to enter into separate indemnification agreements with each of our directors and executive officers. We have also purchased directors' and officers' liability insurance. See the section titled "Description of Capital Stock—Limitations on Liability and Indemnification of Officers and Directors."

Policies and Procedures for Related Party Transactions

Prior to the completion of this offering, our board of directors will adopt a written related party transaction policy, to be effective upon the completion of this offering, setting forth the policies and procedures for the review and approval or ratification of related party transactions. This policy will cover, with certain exceptions set forth in Item 404 of Regulation S-K under the Securities Act, any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships in which we were or are to be a participant, where the amount involved exceeds $120,000 and a related party had or will have a direct or indirect material interest, including without limitation purchases of goods or services by or from the related party or entities in which the related party has a material interest, indebtedness, guarantees of indebtedness and employment by us of a related party. In reviewing and approving any such transactions, our audit committee will be tasked to consider all relevant facts and circumstances, including but not limited to whether the transaction is on terms comparable to those that could be obtained in an arm's length transaction with an unrelated third-party and the extent of the related party's interest in the transaction. All of the transactions described in this section occurred prior to the adoption of this policy.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of our common stock as of February 29, 2024, and as adjusted to reflect the sale of common stock offered by us in this offering, by:

- each of our directors;
- each of our named executive officers;
- all of our directors and executive officers as a group; and
- each person or group of affiliated persons known by us to beneficially own more than 5% of our outstanding shares of common stock.

The number of shares beneficially owned by each stockholder is determined under rules issued by the SEC. Under these rules, a person is deemed to be a "beneficial" owner of a security if that person has or shares voting power or investment power, which includes the power to dispose of or to direct the disposition of such security. Except as indicated in the footnotes below, we believe, based on the information furnished to us, that the individuals and entities named in the table below have sole voting and investment power with respect to all shares beneficially owned by them, subject to any applicable community property laws.

We have based percentage ownership of our common stock before this offering on 128,723,386 shares of our common stock outstanding as of February 29, 2024. The percentage ownership of our common stock after this offering also assumes the foregoing and the issuance and sale of 19,050,000 shares of common stock by us in this offering, and is presented assuming both no exercise and full exercise of the underwriters' option to purchase additional shares from the selling stockholders. The table below excludes any shares of common stock issuable upon the settlement of restricted stock units that will be granted pursuant to the 2024 Plan to certain of our executive officers and other employees prior to the completion of this offering.

Each of the stockholders listed has sole voting and investment power with respect to the shares beneficially owned by the stockholder unless noted otherwise, subject to community property laws where applicable. Unless otherwise indicated, the address of each beneficial owner in the table below is c/o PACS Group, Inc., 262 N. University Ave., Farmington, Utah 84025.

	Beneficial Ownership Before the Offering		Shares Being Sold in This Offering		Beneficial Ownership After the Offering Assuming no Exercise of Underwriters' Option		Beneficial Ownership After the Offering Assuming Full Exercise of Underwriters' Option	
Name of Beneficial Owner	Number of Shares	Percentage of Shares	No Exercise of Underwriters' Options	Full Exercise of Underwriters' Options	Number of Shares	Percentage of Shares	Number of Shares	Percentage of Shares
Named Executive Officers and Directors:								
Jason Murray	64,361,693	50 %	—	1,428,750	64,361,693	43.6 %	62,932,943	42.6 %
Mark Hancock	64,361,693	50 %	—	1,428,750	64,361,693	43.6 %	62,932,943	42.6 %
Peter (P.J.) Sanford	—	*	—	*	—	*	—	*
Josh Jergensen	—	*	—	*	—	*	—	*
Derick Apt	—	*	—	*	—	*	—	*
Jacqueline Millard	—	*	—	*	—	*	—	*
Taylor Leavitt	—	*	—	*	—	*	—	*
All Executive Officers and Directors as a Group (10 individuals)	128,723,386	100 %	—	2,857,500	128,723,386	87.1 %	125,865,886	85.2 %

— None
* Less than 1%.

DESCRIPTION OF CAPITAL STOCK

The following summary describes our capital stock and the material provisions of our Amended and Restated Charter and our Amended and Restated Bylaws. The following is a summary and is qualified by reference to the Amended and Restated Charter and the Amended and Restated Bylaws that will be in effect immediately prior to the completion of this offering. Copies of these documents will be filed with the SEC as exhibits to our registration statement, of which this prospectus forms a part.

General

Upon the completion of this offering, our authorized capital stock will consist of 1,250,000,000 shares of common stock, par value $0.001 per share, and 50,000,000 shares of preferred stock, par value $0.001 per share, the rights and preferences of which our board of directors may establish from time to time. As of December 31, 2023, there were 128,723,386 shares of our common stock outstanding held by two stockholders of record, and no shares of our preferred stock outstanding.

Common Stock

Dividend Rights

Holders of shares of our common stock are entitled to receive dividends when, as and if declared by our board of directors out of funds legally available therefor, subject to any statutory or contractual restrictions on the payment of dividends and to any restrictions on the payment of dividends imposed by the terms of any outstanding stock. Under Delaware law, we can only pay dividends either out of “surplus” or out of the current or the immediately preceding year’s net profits. Surplus is defined as the excess, if any, at any given time, of the total assets of a corporation over its total liabilities and statutory capital. The value of a corporation’s assets can be measured in a number of ways and may not necessarily equal their book value.

See the section titled “Dividend Policy” for additional information.

Voting Rights

Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders. The holders of our common stock vote together as a single class, unless otherwise required by law. The holders of our common stock do not have cumulative voting rights in the election of directors.

Our Amended and Restated Bylaws will provide for a classified board of directors consisting of three classes of approximately equal size, each serving staggered three-year terms. If the number of directors is changed, any increase or decrease shall be apportioned among the classes by the board of directors so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class. In no case will a decrease in the number of directors shorten the term of any incumbent director.

No Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights, and is not subject to conversion, redemption, or sinking fund provisions.

Right to Receive Liquidation Distributions

If we become subject to a liquidation, dissolution, or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our common stock and any participating preferred stock outstanding at that time, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights of and the payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

Fully Paid and Non-Assessable

All shares of our common stock that will be outstanding upon the completion of this offering will be fully paid and non-assessable.

Preferred Stock

No shares of preferred stock will be issued or outstanding immediately after the offering contemplated by this prospectus. Our Amended and Restated Charter authorizes our board of directors to establish one or more series of preferred stock. Unless required by law or any stock exchange, the authorized shares of preferred stock will be available for issuance without further action by the holders of our common stock. Our board of directors is able to determine, without stockholder approval and with respect to any series of preferred stock, the powers (including voting powers), preferences and relative, participating, optional, or other special rights, and the qualifications, limitations, or restrictions thereof, including, without limitation:

- the designation of the series;
- the number of shares of the series, which our board of directors may, except where otherwise provided in the preferred stock designation, increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares then outstanding);
- whether dividends, if any, will be cumulative or non-cumulative and the dividend rate of the series;
- the dates at which dividends, if any, will be payable;
- the redemption or repurchase rights and price or prices, if any, for shares of the series;
- the terms and amounts of any sinking fund provided for the purchase or redemption of shares of the series;
- the amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution, or winding-up of our affairs;
- whether the shares of the series will be convertible into shares of any other class or series, or any other security, of us or any other entity, and, if so, the specification of the other class or series or other security, the conversion price or prices, or rate or rates, any rate adjustments, the date or dates as of which the shares will be convertible and all other terms and conditions upon which the conversion may be made;
- restrictions on the issuance of shares of the same series or of any other class or series; and
- the voting rights, if any, of the holders of the series.

We could issue a series of preferred stock that could, depending on the terms of the series, impede or discourage an acquisition attempt or other transaction that some, or a majority, of the holders of our common stock might believe to be in their best interests or in which the holders of our common stock might receive a premium over the market price of the shares of our common stock. Additionally, the issuance of preferred stock may adversely affect the rights of holders of our common stock by restricting dividends on the common stock, diluting the voting power of the common stock or subordinating the liquidation rights of the common stock. As a result of these or other factors, the issuance of preferred stock could have an adverse impact on the market price of our common stock. We have no current plan for the issuance of any shares of preferred stock.

Registration Rights

In connection with this offering, we, Jason Murray and Mark Hancock will enter into the Registration Rights Agreement, pursuant to which Messrs. Murray and Hancock will have registration rights. Registration of these shares under the Securities Act would result in these shares becoming fully tradable without restriction under the Securities Act immediately upon the effectiveness of the registration, except for shares purchased by affiliates. Shares covered by a registration statement will be eligible for sale in the public market upon the expiration or release from the terms of the lock-up agreement. Under the Registration Rights Agreement, we will generally be required to pay all expenses (other than underwriting discounts and commissions and certain other expenses) related to any registration, whether or not such registration becomes effective or this offering is consummated. The Registration Rights Agreement also contains customary indemnification and procedural terms.

Demand Registration Rights

Following the completion of this offering, Messrs. Murray and Hancock will hold an aggregate of 128,723,386 shares of our common stock, which together represents 87.1% of our outstanding shares of common stock after this offering, and will be entitled to certain demand registration rights.

The foregoing demand registration rights are subject to a number of exceptions and limitations.

Piggyback Registration Rights

In the event that we propose to register any of our securities under the Securities Act, either for our own account or for the account of other stockholders, Messrs. Murray and Hancock will be entitled to certain "piggyback" registration rights, entitling them to notice of the registration and allowing them to include their registrable securities in such registration. These rights will apply whenever we propose to file a registration statement under the Securities Act other than with respect to (1) a registration related to the sale of securities to employees pursuant to a stock option, stock purchase or similar plan or (2) a registration relating to a corporate reorganization or other transaction covered by Rule 145 promulgated under the Securities Act.

Designation Rights

Our Amended and Restated Charter will grant Messrs. Murray and Hancock board designation rights. Mr. Murray will have the right, but not the obligation, to designate (i) up to two individuals for inclusion in our slate of director nominees if he beneficially owns at least 20% of the aggregate number of shares of common stock outstanding immediately following this offering or (ii) one individual for inclusion in our slate of director nominees if he beneficially owns less than 20% but at least 10% of the aggregate number of shares of common stock outstanding immediately following this offering. Mr. Hancock will have the right, but not the obligation, to designate (i) up to two individuals for inclusion in our slate of director nominees if he beneficially owns at least 20% of the aggregate number of shares of common stock outstanding immediately following this offering or (ii) one individual for inclusion in our slate of director nominees if he beneficially owns less than 20% but at least 10% of the aggregate number of shares of common stock outstanding immediately following this offering.

Each of Messrs. Murray and Hancock will also have the right to fill any vacancies created by reason of death, resignation, disqualification or removal of their respective designees. These rights are also affirmed in the Stockholders Agreement that we intend to enter into with Messrs. Murray and Hancock, and these rights will terminate upon the termination of the Stockholders Agreement. See "Certain Relationships and Related Party Transactions—Stockholders Agreement" for more information. If the number of individuals that Messrs. Murray and Hancock have the right to designate is decreased because of a decrease in their respective ownership or upon termination of the Stockholders Agreement, then the corresponding designee (if such designee is serving on our board of directors) may remain on our board of directors through the end of his or her then current term; provided, that a director may resign at any time regardless of the period of time left in his or her then current term.

As a result, immediately following this offering, Messrs. Murray and Hancock will each have the right to designate two directors for nomination to our board of directors, and will collectively have the right to designate four directors, which represents the entirety of our current four member board of directors.

Anti-Takeover Effects of Provisions of the General Corporation Law of the State of Delaware and our Amended and Restated Charter and Amended and Restated Bylaws

Certain provisions of the General Corporation Law of the State of Delaware (DGCL) and our Amended and Restated Charter and our Amended and Restated Bylaws that will become effective immediately prior to the completion of this offering contain provisions that could make the following transactions more difficult: e.g., acquisition of us by means of a tender offer; acquisition of us by means of a proxy contest or otherwise; or removal of our incumbent officers and directors. It is possible that these provisions could make it more difficult to accomplish or could deter transactions that stockholders may otherwise consider to be in their best interest or in our best interests, including transactions that might result in a premium over the market price for our shares.

These provisions, summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging these proposals because negotiation of these proposals could result in an improvement of their terms.

Delaware Anti-Takeover Statute

We are subject to Section 203 of the DGCL, which prohibits persons deemed "interested stockholders" from engaging in a "business combination" with a publicly held Delaware corporation for three years following the date these persons become interested stockholders unless the business combination is, or the transaction in which the person became an interested stockholder was, approved in a prescribed manner or another prescribed exception applies. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years prior to the determination of interested stockholder status did own, 15% or more of a corporation's voting stock. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by the board of directors, such as discouraging takeover attempts that might result in a premium over the market price of our common stock.

Undesignated Preferred Stock

The ability to authorize undesignated preferred stock will make it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to effect a change in control of our company. These and other provisions may have the effect of deterring hostile takeovers or delaying changes in control or management of our company.

Special Stockholder Meetings

Our Amended and Restated Charter will provide that a special meeting of stockholders may be called at any time by our board of directors, the chairperson of our board of directors, our Chief Executive Officer or our Executive Vice Chairman, but such special meetings may not be called by the stockholders or any other person or persons.

Requirements for Advance Notification of Stockholder Nominations and Proposals

Our Amended and Restated Bylaws will establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors.

Stockholder Action by Written Consent

Our Amended and Restated Charter will provide that, at any time when Messrs. Murray and Hancock beneficially own, in the aggregate, at least a majority of the voting power of our outstanding shares of voting stock, our stockholders may take action by written consent without a meeting, and at any time when Messrs. Murray and Hancock beneficially own, in the aggregate, less than the majority of the voting power of our outstanding shares of voting stock, our stockholders may not take action by written consent and may only take action at a meeting of stockholders.

Classified Board; Election and Removal of Directors; Filling Vacancies

Effective upon the completion of this offering, our board of directors will be divided into three classes, divided as nearly as equal in number as possible. The directors in each class will serve for a three-year term, one class being elected each year by our stockholders, with staggered three-year terms. Only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. See the section titled "Management—Board Composition" for more information on the classified board. Our Amended and Restated Charter will provide for the removal of any of our directors at any time with or without cause by the affirmative vote of the holders of a majority of the voting power of the then outstanding shares of our voting stock entitled to vote thereon; provided, however, that at any time when Messrs. Murray and Hancock beneficially own, in the aggregate, less than the majority of the voting power of our outstanding shares of voting stock, directors may be removed only for cause and only by the affirmative vote of the holders of at least 66 2/3% of the voting power of the then outstanding shares of our voting stock entitled to vote thereon. Furthermore, subject to the rights of the holders of any series of preferred stock to elect directors and rights granted to Messrs. Murray and Hancock pursuant to the Amended and Restated Charter and the Stockholders Agreement, any vacancy on our board of directors, however occurring, including a vacancy resulting from an increase in the size of the board, may only be filled by a resolution of the board of directors. This system of electing and removing directors and filling vacancies may tend to discourage a third-party from making a tender offer or otherwise attempting to obtain control of us because it generally makes it more difficult for stockholders to replace a majority of the directors.

Choice of Forum

Our Amended and Restated Charter will provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: any derivative action or proceeding brought on our behalf; any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or stockholders to us or to our stockholders; any action asserting a claim against us arising pursuant to the DGCL, our Amended and Restated Charter or our Amended and Restated Bylaws (as either may be amended from time to time); or any action asserting a claim against us that is governed by the internal affairs doctrine. As a result, any action brought by any of our stockholders with regard to any of these matters will need to be filed in the Court of Chancery of the State of Delaware and cannot be filed in any other jurisdiction; provided that, if and only if the Court of Chancery of the State of Delaware dismisses any such action for lack of subject matter jurisdiction, such action may be brought in another state or federal court sitting in the State of Delaware.

Our Amended and Restated Charter will also provide that the federal district courts of the United States of America will be the exclusive forum for the resolution of any complaint asserting a cause or causes of action under the Securities Act, including all causes of action asserted against any defendant to such complaint. The choice of forum provisions will not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction.

If any action the subject matter of which is within the scope described above is filed in a court other than a court located within the State of Delaware, or a foreign action, in the name of any stockholder, such stockholder shall be deemed to have consented to the personal jurisdiction of the state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce the applicable provisions of our Amended and Restated Charter and having service of process made upon such stockholder in any such action by service upon such stockholder's counsel in the foreign action as agent for such stockholder. Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. As a result, both state and federal courts have jurisdiction to entertain such Securities Act claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our Amended and Restated Charter will contain the choice of forum provision described above. Our decision to adopt a such a provision follows a decision by the Supreme Court of the State of Delaware holding that such provisions are facially valid under the DGCL; however, there is uncertainty as to whether a federal court or state court would enforce such a provision, and investors cannot waive compliance with federal securities laws and the rules and regulations thereunder.

Accordingly, although our Amended and Restated Charter will contain the choice of forum provision described above, it is possible that a court could find that such a provision is inapplicable for a particular claim or action or that such provision is unenforceable.

This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, other employees or stockholders, which may discourage lawsuits with respect to such claims and may result in increased costs for stockholders to bring a claim, although our stockholders will not be deemed to have waived our compliance with federal securities laws and the rules and regulations thereunder.

Amendment of Charter Provisions

The amendment of any of the above provisions in our Amended and Restated Charter would require approval by a stockholder vote by the holders of at least a 66 2/3% of the voting power of the then outstanding voting stock.

The provisions of the DGCL, our Amended and Restated Charter, and our Amended and Restated Bylaws could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. These provisions may also have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests.

Limitations on Liability and Indemnification of Officers and Directors

The DGCL authorizes corporations to limit or eliminate the personal liability of directors and officers to corporations and their stockholders for monetary damages for breaches of directors' or officers' fiduciary duties, subject to certain exceptions. Our Amended and Restated Charter includes a provision that eliminates the personal liability of directors for monetary damages to the corporation or its stockholders for any breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL. The effect of these provisions is to eliminate the rights of us and our stockholders, through stockholders' derivative suits on our behalf, to recover monetary damages from a director for breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior. However, exculpation does not apply to any breaches of the director's duty of loyalty, any acts or omissions not in good faith or that involve intentional misconduct or knowing violation of law, any authorization of dividends or stock redemptions or repurchases paid or made in violation of the DGCL, or for any transaction from which the director derived an improper personal benefit.

Our Amended and Restated Bylaws generally provide that we must indemnify and advance expenses to our directors and officers to the fullest extent authorized by the DGCL. We also are expressly authorized to carry directors' and officers' liability insurance providing indemnification for our directors, officers, and certain employees for some liabilities. We believe that these indemnification and advancement provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability, indemnification, and advancement provisions in our Amended and Restated Charter and Amended and Restated Bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

There is currently no pending material litigation or proceeding involving any of our directors, officers, or employees for which indemnification is sought.

Indemnification Agreements

We intend to enter into an indemnification agreement with each of our directors and executive officers as described in "Certain Relationships and Related Party Transactions—Director and Officer Indemnification and Insurance." Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors or executive officers, we have been informed that in the opinion of the SEC such indemnification is against public policy and is therefore unenforceable.

Stock Exchange Listing

We have applied to have our common stock listed on the New York Stock Exchange under the symbol "PACS." If our listing application is not approved, we will not proceed with this offering.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Broadridge Corporate Issuer Solutions, Inc.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and a liquid trading market for our common stock may not develop or be sustained after this offering. Future sales of our common stock in the public market after the completion of this offering, or the perception that those sales may occur, could adversely affect the prevailing market price for our common stock from time to time or impair our ability to raise equity capital in the future. As described below, only a limited number of shares of our common stock will be available for sale in the public market for a period of several months after the completion of this offering due to contractual and legal restrictions on resale described below. Future sales of our common stock in the public market either before or after restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price of our common stock at such time and our ability to raise equity capital at a time and price we deem appropriate.

Sale of Restricted Shares

Based on the number of shares of our common stock outstanding as of December 31, 2023, upon the completion of this offering we will have outstanding an aggregate of 147,773,386 shares of common stock. Of these shares, all of the shares of common stock to be sold in this offering will be freely tradable in the public market without restriction or further registration under the Securities Act, unless the shares are held by any of our "affiliates" as such term is defined in Rule 144, or subject to lock-up agreements. All remaining shares of common stock held by existing stockholders immediately prior to the completion of this offering will be "restricted securities," as such term is defined in Rule 144. These restricted securities were issued and sold by us in private transactions and are eligible for public sale only if registered under the Securities Act or if they qualify for an exemption from registration under the Securities Act, including the exemptions provided by Rule 144 which rule is summarized below.

As a result of the lock-up agreements referred to below and the provisions of Rule 144, based on the number of shares of our common stock outstanding (calculated as of December 31, 2023, on the basis of the assumptions described above), the shares of our common stock (excluding the shares sold in this offering) that will be available for sale in the public market are as follows:

Approximate Number of Shares	First Date Available For Sale Into Public Market
128,723,386 shares	181 days after the date of this prospectus, upon expiration of the lock-up agreements referred to below, subject in some cases to applicable volume, manner of sale and other limitations under Rule 144.

We may issue shares of common stock from time to time as consideration for future acquisitions, investments or other corporate purposes. In the event that any such acquisition, investment or other transaction is significant, the number of shares of common stock that we may issue may in turn be significant. We may also grant registration rights covering those shares of common stock issued in connection with any such acquisition and investment.

In addition, the shares of common stock reserved for future issuance under our 2024 Plan will become eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules, the lock-up agreements, a registration statement under the Securities Act or an exemption from registration, including Rule 144.

Rule 144

Under Rule 144, as currently in effect, once we have been subject to the public company reporting requirements of the Exchange Act for at least 90 days, and we are current in our Exchange Act reporting at the time of sale, a person (or persons whose shares are required to be aggregated) who is not deemed to have been one of our "affiliates" for purposes of Rule 144 at any time during the 90 days preceding a sale and who has beneficially owned restricted securities within the meaning of Rule 144 for at least six months, including the holding period of any prior owner other than one of our "affiliates," is entitled to sell those shares in the public market (subject to the lock-up agreement referred to below, if applicable) without complying with the manner of sale, volume limitations or notice provisions of Rule 144, but subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than "affiliates," then such person is entitled to sell such shares in the public market without complying with any of the requirements of Rule 144 (subject to the lock-up agreement referred to below, if applicable).

In general, under Rule 144, as currently in effect, once we have been subject to the public company reporting requirements of the Exchange Act for at least 90 days, our "affiliates," as defined in Rule 144, who have beneficially owned the shares proposed to be sold for at least six months, are entitled to sell in the public market, upon expiration of any applicable lock-up agreements and within any three-month period, a number of those shares of our common stock that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately 1,477,734 shares of common stock immediately upon the completion of this offering (calculated as of December 31, 2023 on the basis of the assumptions described above); or

- the average weekly trading volume of our common stock on the New York Stock Exchange during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Such sales under Rule 144 by our "affiliates" or persons selling shares on behalf of our "affiliates" are also subject to certain manner of sale provisions, notice requirements and requirements related to the availability of current public information about us. Notwithstanding the availability of Rule 144, the holders of substantially all of our restricted securities have entered into lock-up agreements as referenced above and their restricted securities will become eligible for sale (subject to the above limitations under Rule 144) upon the expiration of the restrictions set forth in those agreements.

Lock-Up Agreements

We and our officers, directors, and holders of substantially all of our common stock have agreed with the underwriters, subject to certain exceptions, not to dispose of, directly or indirectly, or hedge any of our or their shares of common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Truist Securities, Inc. This agreement does not apply to any existing employee benefit plans. These agreements are described in the section titled "Underwriting (Conflicts of Interest)."

The representatives have granted each of Messrs. Murray and Hancock an exception under their respective lock-up agreements that will permit each of them to pledge a portion of their shares of our common stock owned by them to secure one or more margin loans that they may seek to obtain or enter into with one or more nationally or internationally recognized financial institutions, subject to certain exceptions and specified conditions; provided, however, that (i) Messrs. Murray and Hancock or we, as the case may be, shall provide the representatives with prior written notice informing them of any public filing, report or announcement made by or on behalf of them or us with respect thereto; and (ii) in the case of any transfer or distribution pursuant to a pledge or any other bona fide loan or pledge pursuant to this paragraph, any transferee that acquires the shares of our common stock from each such institution agrees to be bound in writing by the terms of the lock-up agreement prior to such transfer; provided, further, that the aggregate number of shares of our common stock pledged as collateral pursuant to any such margin loans by Messrs. Murray and Hancock during the lock-up period shall not, for each of Messrs. Murray and Hancock, exceed 7.5% of the total number of shares of our common stock issued and outstanding on the closing date of this offering. As a result, the lock-up agreements permit an aggregate of up to 15% of the total number of shares of our common stock issued and outstanding on the closing date of this offering to be pledged as collateral pursuant to margin loans.

Certain of our employees, including our executive officers, and/or directors, may enter into written trading plans that are intended to comply with Rule 10b5-1 under the Exchange Act. Sales under these trading plans would not be permitted until the expiration of the lock-up agreements relating to the offering described above.

Following the lock-up periods set forth in the agreements described above, and assuming that the representatives of the underwriters do not release any parties from these agreements and that there is no extension of the lock-up period, all of the shares of our common stock that are restricted securities or are held by our affiliates as of the date of this prospectus will be eligible for sale in the public market in compliance with Rule 144.

Registration Rights

Upon the completion of this offering, the holders of up to 128,723,386 shares of our common stock will be entitled to rights with respect to the registration of their shares under the Securities Act, subject to the lock-up agreements described under "—Lock-Up Agreements" above. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act, except for shares purchased by affiliates, immediately upon the effectiveness of the registration statement of which this prospectus is a part. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock. The requisite percentage of these stockholders will waive all such stockholders' rights to notice of this offering and to include their shares of registrable securities in this offering. See the section titled "Description of Capital Stock—Registration Rights."

Equity Incentive Plans

We intend to file with the SEC a registration statement on Form S-8 under the Securities Act covering the shares of common stock issuable or reserved for issuance under our 2024 Plan and our ESPP. Such registration statement is expected to be filed and become effective as soon as practicable following the effectiveness of this registration statement. Accordingly, shares registered under such registration statement, including 2,385,617 shares of common stock expected to be net issued prior to the completion of this offering upon the vesting and settlement of the IPO Equity Awards, will be available for sale in the open market following its effective date, subject to Rule 144 volume limitations and the lock-up agreements described above, if applicable.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following discussion is a summary of the material U.S. federal income tax consequences to Non-U.S. Holders (as defined below) of the purchase, ownership and disposition of our common stock issued pursuant to this offering, but does not purport to be a complete analysis of all potential tax effects. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local or non-U.S. tax laws are not discussed. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (Code), Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service (IRS), in each case in effect as of the date hereof.

These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a Non-U.S. Holder. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership and disposition of our common stock.

This discussion is limited to Non-U.S. Holders that hold our common stock as a “capital asset” within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a Non-U.S. Holder’s particular circumstances, including the impact of the Medicare contribution tax on net investment income and the alternative minimum tax. In addition, it does not address consequences relevant to Non-U.S. Holders subject to special rules, including, without limitation:

- U.S. expatriates and former citizens or long-term residents of the United States;
- persons holding our common stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies and other financial institutions;
- brokers, dealers or traders in securities;
- “controlled foreign corporations,” “passive foreign investment companies” and corporations that accumulate earnings to avoid U.S. federal income tax;
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);
- tax-exempt organizations or governmental organizations;
- persons deemed to sell our common stock under the constructive sale provisions of the Code;
- persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation;
- persons that own or have owned (directly, indirectly or constructively) more than 5% of our common stock;
- tax-qualified retirement plans; and
- “qualified foreign pension funds” as defined in Section 897(l)(2) of the Code and entities all of the interests of which are held by qualified foreign pension funds.

If an entity treated as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding our common stock and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

Definition of a Non-U.S. Holder

For purposes of this discussion, a “Non-U.S. Holder” is any beneficial owner of our common stock that is neither a “U.S. person” nor an entity treated as a partnership for U.S. federal income tax purposes. A U.S. person is any person that, for U.S. federal income tax purposes, is or is treated as any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (i) is subject to the primary supervision of a U.S. court and all substantial decisions of which are subject to the control of one or more “United States persons” (within the meaning of Section 7701(a)(30) of the Code) or (ii) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

Distributions

As described in the section titled “Dividend Policy,” we have no current plans to pay dividends or other distributions on our common stock in the foreseeable future following this offering. However, if we do make distributions of cash or property on our common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and first be applied against and reduce a Non-U.S. Holder’s adjusted tax basis in its common stock, but not below zero. Any excess will be treated as capital gain and will be treated as described below under the subsection titled “—Sale or Other Taxable Disposition.”

Subject to the discussion below regarding effectively connected income, dividends paid to a Non-U.S. Holder will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends (or such lower rate specified by an applicable income tax treaty, provided the Non-U.S. Holder furnishes a valid IRS Form W-8BEN or W-8BEN-E (or other applicable documentation) certifying qualification for the lower treaty rate). A Non-U.S. Holder that does not timely furnish the required documentation, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under any applicable tax treaties.

If dividends paid to a Non-U.S. Holder are effectively connected with the Non-U.S. Holder’s conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment in the United States to which such dividends are attributable), the Non-U.S. Holder will be exempt from the U.S. federal withholding tax described above. To claim the exemption, the Non-U.S. Holder must furnish to the applicable withholding agent a valid IRS Form W-8ECI, certifying that the dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States. Any such effectively connected dividends will be subject to U.S. federal income tax on a net income basis at the regular rates applicable to U.S. persons. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected dividends, as adjusted for certain items. Non-U.S. Holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

Sale or Other Taxable Disposition

A Non-U.S. Holder will not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of our common stock unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment in the United States to which such gain is attributable);
- the Non-U.S. Holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or
- our common stock constitutes a U.S. real property interest (USRPI), by reason of our status as a U.S. real property holding corporation (USRPHC), for U.S. federal income tax purposes.

Gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at the regular rates applicable to U.S. persons. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected gain, as adjusted for certain items.

A Non-U.S. Holder described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on gain realized upon the sale or other taxable disposition of our common stock, which may be offset by certain U.S.-source capital losses of the Non-U.S. Holder (even though the individual is not considered a resident of the United States), provided the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, because the determination of whether we are a USRPHC depends on the fair market value of our USRPIs relative to the fair market value of our non-U.S. real property interests and our other business assets, and because we have significant interests in real property located in the United States, there can be no assurance that we currently are not a USRPHC or will not become one in the future. Even if we are or were to become a USRPHC, gain arising from the sale or other taxable disposition of our common stock by a Non-U.S. Holder will not be subject to U.S. federal income tax if our common stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market, and such Non-U.S. Holder owned, actually and constructively, 5% or less of our common stock throughout the shorter of the five-year period ending on the date of the sale or other taxable disposition or the Non-U.S. Holder's holding period.

Non-U.S. Holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

Information Reporting and Backup Withholding

Payments of dividends on our common stock will not be subject to backup withholding, provided the Non-U.S. Holder certifies its non-U.S. status, such as by furnishing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, or otherwise establishes an exemption. However, information returns are required to be filed with the IRS in connection with any distributions on our common stock paid to the Non-U.S. Holder, regardless of whether such distributions constitute dividends or whether any tax was actually withheld. In addition, proceeds of the sale or other taxable disposition of our common stock within the United States or conducted through certain U.S.-related brokers generally will not be subject to backup withholding or information reporting if the applicable withholding agent receives the certification described above or the Non-U.S. Holder otherwise establishes an exemption. Proceeds of a disposition of our common stock conducted through a non-U.S. office of a non-U.S. broker that does not have certain enumerated relationships with the United States generally will not be subject to backup withholding or information reporting.

Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides or is established.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Additional Withholding Tax on Payments Made to Foreign Accounts

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code (such Sections commonly referred to as the Foreign Account Tax Compliance Act (FATCA)) on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on, or (subject to the proposed Treasury Regulations discussed below) gross proceeds from the sale or other disposition of, our common stock paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (i) the foreign financial institution undertakes certain diligence and reporting obligations, (ii) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner or (iii) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (i) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States owned foreign entities" (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Under applicable Treasury Regulations and administrative guidance, withholding under FATCA generally applies to payments of dividends on our common stock. While withholding under FATCA would have applied also to payments of gross proceeds from the sale or other disposition of our common stock beginning on January 1, 2019, proposed Treasury Regulations eliminate FATCA withholding on payments of gross proceeds entirely. Taxpayers generally may rely on these proposed Treasury Regulations until final Treasury Regulations are issued.

Prospective investors should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in our common stock.

UNDERWRITING (CONFLICTS OF INTEREST)

Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Truist Securities, Inc. are acting as joint book-running managers of this offering and as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement, which will be filed as an exhibit to the registration statement of which this prospectus is a part, each underwriter named below has severally agreed to purchase, and we and the selling stockholders have agreed to sell to that underwriter, the number of shares of common stock set forth opposite the underwriter's name in the following table:

Underwriter	Number of Shares
Citigroup Global Markets Inc.	
J.P. Morgan Securities LLC	
Truist Securities, Inc.	
RBC Capital Markets, LLC	
Goldman Sachs & Co. LLC	
Stephens Inc.	
KeyBanc Capital Markets Inc.	
Oppenheimer & Co. Inc.	
Regions Securities LLC	
Total	19,050,000

The underwriting agreement provides that the obligations of the underwriters to purchase the shares of our common stock included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all of the shares of our common stock (other than those covered by the over-allotment option described below) if they purchase any of the shares.

Shares of our common stock sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares of our common stock sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price not to exceed $ per share. After the initial public offering of the shares of our common stock, if all of the shares of our common stock are not sold at the initial public offering price, the underwriters may change the offering price and the other selling terms. The representatives have advised us that the underwriters do not intend to make sales to discretionary accounts.

If the underwriters sell more shares of our common stock than the total number set forth in the table above, the selling stockholders have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an additional 2,857,500 shares of our common stock from the selling stockholders at the initial public offering price less the underwriting discounts and commissions. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the option is exercised, each underwriter must purchase a number of additional shares of our common stock approximately proportionate to that underwriter's initial purchase commitment set forth in the table above. Any shares of our common stock issued or sold under the option will be issued and sold on the same terms and conditions as the other shares of our common stock that are the subject of this offering.

We, our directors, executive officers and all of our stockholders have agreed that, subject to specified limited exceptions, for a period of 180 days from the date of this prospectus (lock-up period), we and they will not, without the prior written consent of the representatives, offer, sell, contract to sell, pledge or otherwise dispose of, including the filing of a registration statement in respect of, or hedge any shares of our common stock or any securities convertible into, or exercisable or exchangeable for, shares of our common stock.

The representatives have granted each of Messrs. Murray and Hancock an exception under their respective lock-up agreements that will permit each of them to transfer, pledge or otherwise encumber, pursuant to the grant and maintenance of a bona fide lien, security interest, pledge or other similar encumbrance (each, a Pledge), a portion of their shares of our common stock owned by them to one or more nationally or internationally recognized financial institutions each having assets of not less than $10 billion (each, an Institution) in connection with a loan to them or pursuant to the exercise of any such Pledge by any such Institution; provided, however, that (i) Messrs. Murray and Hancock or we, as the case may be, shall provide the representatives with prior written notice informing them of any public filing, report or announcement made by or on behalf of them or us with respect thereto; and (ii) in the case of any transfer or distribution pursuant to a Pledge or any other bona fide loan or pledge pursuant to this paragraph, any transferee that acquires the shares of our common stock from each such Institution agrees to be bound in writing by the terms of the lock-up agreement prior to such transfer; provided, further, that the number of shares of our common stock pledged as collateral pursuant to this paragraph by Messrs. Murray and Hancock during the lock-up period shall not, for each of Messrs. Murray and Hancock, exceed 7.5% of the total number of shares of our common stock issued and outstanding on the closing date of this offering. As a result, the lock-up agreements permit an aggregate of up to 15% of the total number of shares of our common stock issued and outstanding on the closing date of this offering to be pledged as collateral pursuant to margin loans.

The representatives, in their sole discretion, may release any of the securities subject to these lock-up agreements at any time, which, in the case of our directors and executive officers, shall be with notice.

Prior to this offering, there has been no public market for our common stock. Consequently, the initial public offering price for the shares of our common stock will be determined by negotiations among us and the representatives. Among the factors considered in determining the initial public offering price will be our results of operations, our current financial condition, our future prospects, our markets, the economic conditions in and future prospects for the industry in which we compete, our management, and currently prevailing general conditions in the equity securities markets, including current market valuations of publicly traded companies considered comparable to our company. We cannot assure you, however, that the price at which the shares of our common stock will sell in the public market after this offering will not be lower than the initial public offering price or that an active trading market in our shares of common stock will develop and continue after this offering.

We have applied to have our common stock listed on the New York Stock Exchange under the symbol "PACS."

The following table shows the per share and total public offering price, underwriting discounts and commissions that we and the selling stockholders are to pay to the underwriters and proceeds to us and the selling stockholders, before expenses, in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' over-allotment option.

		Total	
	Per share	**No exercise**	**Full exercise**
Public offering price	$	$	$
Underwriting discounts and commissions paid by us	$	$	$
Underwriting discounts and commissions paid by the selling stockholders		$ —	
Proceeds to us, before expenses	$	$	$
Proceeds to selling stockholders, before expenses	$	$ —	$

We estimate that expenses payable by us in connection with this offering, exclusive of underwriting discounts and commissions, will be approximately $5.7 million. We have also agreed to reimburse the underwriters for certain of their expenses in an amount up to $.

In connection with this offering, the underwriters may purchase and sell shares of our common stock in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, which may include purchases pursuant to the underwriters' over-allotment option, and stabilizing purchases.

- Short sales involve secondary market sales by the underwriters of a greater number of shares of our common stock than they are required to purchase in this offering.
  - "Covered" short sales are sales of shares of our common stock in an amount up to the number of shares of our common stock represented by the underwriters' over-allotment option.
  - "Naked" short sales are sales of shares of our common stock in an amount in excess of the number of shares of our common stock represented by the underwriters' over-allotment option.
- Covering transactions involve purchases of shares, either pursuant to the underwriters' over-allotment option or in the open market.
  - To close a naked short position, the underwriters must purchase shares of our common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares of our common stock in the open market after pricing that could adversely affect investors who purchase in this offering.
  - To close a covered short position, the underwriters must purchase shares of our common stock in the open market or exercise their over-allotment option. In determining the source of shares of our common stock to close the covered short position, the underwriters will consider, among other things, the price of shares of our common stock available for purchase in the open market as compared to the price at which they may purchase shares of our common stock through their over-allotment option.
- Stabilizing transactions involve bids to purchase shares of our common stock on the New York Stock Exchange, as long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the shares. They may also cause the price of the shares of our common stock to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the New York Stock Exchange, in the over-the-counter market or otherwise. The underwriters are not required to engage in any of these transactions and, if they do commence any, they may discontinue them at any time.

A prospectus in electronic format may be made available on websites maintained by one or more of the underwriters or their respective affiliates. The representatives may agree with us to allocate a number of shares of our common stock to underwriters for sale to their online brokerage account holders. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations. Other than the prospectus in electronic format, the information on the underwriters' or their respective affiliates' websites and any information contained in any other website maintained by any of the underwriters or their respective affiliates is not part of this prospectus, has not been approved and/or endorsed by us or the underwriters and should not be relied upon by investors in this offering.

Conflicts of Interest

The underwriters are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The underwriters and their respective affiliates have in the past performed commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the underwriters or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. A typical such hedging strategy would include these underwriters or their affiliates hedging such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In addition, following this offering, each of Messrs. Murray and Hancock may, pursuant to an exception granted by the representatives under their respective lock-up agreements, pledge a portion of their shares of our common stock owned by them to secure one or more margin loans that they may seek to obtain or enter into with one or more financial institutions, including an affiliate of Citigroup Global Markets Inc., subject to certain exceptions and specified conditions. See the sections titled “Risk Factors—Future sales, or the perception of future sales, of shares of common stock by existing stockholders could cause the market price of our common stock to decline” and “Certain Relationships and Related Party Transactions—Stockholders Agreement” for additional information.

Because affiliates of Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Truist Securities, Inc., RBC Capital Markets, LLC, Regions Securities LLC and KeyBanc Capital Markets Inc. are lenders under our Amended and Restated 2023 Credit Facility and will each receive at least 5% of the net proceeds from this offering in connection with the repayment of amounts outstanding under our Amended and Restated 2023 Credit Facility, a “conflict of interest” within the meaning of Rule 5121 of the Financial Industry Regulatory Authority, Inc. (FINRA) is deemed to exist. Accordingly, this offering is being made in compliance with the applicable requirements of FINRA Rule 5121. This rule requires, among other things, that a “qualified independent underwriter” participate in the preparation of, and exercise the usual standards of “due diligence” with respect to, the registration statement and this prospectus. Stephens Inc. has agreed to act as qualified independent underwriter for this offering and to undertake the legal responsibilities and liabilities of an underwriter under the Securities Act of 1933, as amended (Securities Act). will not receive any additional fees for serving as qualified independent underwriter in connection with this offering. We have agreed to indemnify Stephens Inc. against liabilities incurred in connection with acting as qualified independent underwriter, including liabilities under the Securities Act. Pursuant to FINRA Rule 5121, no underwriter having a conflict of interest under FINRA Rule 5121 will confirm sales of our common stock to any account over which it exercises discretionary authority without the specific prior written approval of the of the accountholder. See the sections titled “Use of Proceeds” and “Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Liquidity & Capital Resources—Credit Facilities” for additional information.

We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

Selling Restrictions

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area (each a Relevant State), no shares of common stock have been offered or will be offered pursuant to this offering to the public in that Relevant State prior to the publication of a prospectus in relation to the shares of our common stock which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, except that offers of shares of common stock may be made to the public in that Relevant State at any time under the following exemptions under the Prospectus Regulation:

a. to any legal entity which is a qualified investor as defined under the Prospectus Regulation;

b. to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the representatives for any such offer; or

c. in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of shares of common stock shall require the Company or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

Each person in a Relevant State who initially acquires any shares of common stock or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with the Company and the underwriters that it is a qualified investor within the meaning of the Prospectus Regulation.

In the case of any shares of common stock being offered to a financial intermediary as that term is used in Article 5(1) of the Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares of our common stock acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer to the public other than their offer or resale in a Relevant State to qualified investors, in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

The Company, the underwriters and their respective affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgments and agreements.

For the purposes of this provision, the expression an "offer to the public" in relation to any shares of common stock in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of common stock to be offered so as to enable an investor to decide to purchase or subscribe for any shares of common stock, and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

The above selling restriction is in addition to any other selling restrictions set out below.

Notice to Prospective Investors in the United Kingdom

In relation to the United Kingdom (UK), no shares of common stock have been offered or will be offered pursuant to this offering to the public in the UK prior to the publication of a prospectus in relation to the shares of our common stock which has been approved by the Financial Conduct Authority in the UK in accordance with the UK Prospectus Regulation and the FSMA, except that offers of shares of common stock may be made to the public in the UK at any time under the following exemptions under the UK Prospectus Regulation and the FSMA:

a. to any legal entity which is a qualified investor as defined under the UK Prospectus Regulation;

b. to fewer than 150 natural or legal persons (other than qualified investors as defined under the UK Prospectus Regulation), subject to obtaining the prior consent of the representatives for any such offer; or

c. at any time in other circumstances falling within section 86 of the FSMA, provided that no such offer of shares of common stock shall require the Company or any underwriter to publish a prospectus pursuant to Section 85 of the FSMA or Article 3 of the UK Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

Each person in the UK who initially acquires any shares of common stock or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with the Company and the underwriters that it is a qualified investor within the meaning of the UK Prospectus Regulation.

In the case of any shares of common stock being offered to a financial intermediary as that term is used in Article 5(1) of the UK Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares of our common stock acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer to the public other than their offer or resale in the UK to qualified investors, in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

The Company, the underwriters and their respective affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

For the purposes of this provision, the expression an “offer to the public” in relation to any shares of common stock in the UK means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of common stock to be offered so as to enable an investor to decide to purchase or subscribe for any shares of common stock, and the expression “UK Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, and the expression “FSMA” means the Financial Services and Markets Act 2000.

This document is for distribution only to persons who (i) have professional experience in matters relating to investments and who qualify as investment professionals within the meaning of Article 19(5) of the FSMA Order 2005 (as amended, Financial Promotion Order), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Financial Promotion Order, (iii) are outside the UK, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as relevant persons). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

Notice to Prospective Investors in France

Neither this prospectus nor any other offering material relating to the shares of our common stock described in this prospectus has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or of the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers.* The shares of our common stock have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this prospectus nor any other offering material relating to the shares of our common stock has been or will be:

a. released, issued, distributed or caused to be released, issued or distributed to the public in France; or

b. used in connection with any offer for subscription or sale of the shares of our common stock to the public in France.

Such offers, sales and distributions will be made in France only:

a. to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code *monétaire et financier*;

b. to investment services providers authorized to engage in portfolio management on behalf of third parties; or

c. in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French Code *monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l'épargne*).

The shares of our common stock may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

Notice to Prospective Investors in Hong Kong

The shares of our common stock have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the shares of our common stock has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the shares of our common stock which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Japan

The shares of our common stock have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Notice to Prospective Investors in Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the shares of our common stock were not offered or sold or caused to be made the subject of an invitation for subscription or purchase and will not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and this prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares of our common stock, has not been circulated or distributed, nor will it be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (SFA)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares of our common stock are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

a. a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

b. a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares of our common stock pursuant to an offer made under Section 275 of the SFA except:

a. to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

b. where no consideration is or will be given for the transfer;

c. where the transfer is by operation of law; or

d. as specified in Section 276(7) of the SFA.

Notice to Prospective Investors in Canada

The shares of our common stock may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the shares of our common stock must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission (ASIC) in relation to this offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (Corporations Act), and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares of our common stock may only be made to persons (Exempt Investors) who are “sophisticated investors” (within the meaning of section 708(8) of the Corporations Act), “professional investors” (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares of our common stock without disclosure to investors under Chapter 6D of the Corporations Act.

The shares of our common stock applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under this offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares of our common stock must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

Notice to Prospective Investors in Chile

The shares of our common stock are not registered in the Securities Registry (Registro de Valores) or subject to the control of the Chilean Securities and Exchange Commission (Superintendencia de Valores y Seguros de Chile). This prospectus and other offering materials relating to the offer of the shares of our common stock do not constitute a public offer of, or an invitation to subscribe for or purchase, the shares of our common stock in the Republic of Chile, other than to individually identified purchasers pursuant to a private offering within the meaning of Article 4 of the Chilean Securities Market Act (Ley de Mercado de Valores) (an offer that is not “addressed to the public at large or to a certain sector or specific group of the public”).

Notice to Prospective Investors in Switzerland

The shares of our common stock may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (SIX) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares of our common stock or this offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to this offering, the Company, or the shares of our common stock have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares of our common stock will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of shares of our common stock has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (CISA). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares of our common stock.

Notice to Prospective Investors in the Dubai International Financial Centre

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (DFSA). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares of our common stock to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares of our common stock offered should conduct their own due diligence on the shares of our common stock. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

Notice to Prospective Investors in the United Arab Emirates

The shares of our common stock have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates (including the Dubai International Financial Centre) other than in compliance with the laws of the United Arab Emirates (and the Dubai International Financial Centre) governing the issue, offering and sale of securities. Further, this prospectus does not constitute a public offer of securities in the United Arab Emirates (including the Dubai International Financial Centre) and is not intended to be a public offer. This prospectus has not been approved by or filed with the Central Bank of the United Arab Emirates, the Securities and Commodities Authority or the Dubai Financial Services Authority.

Notice to Prospective Investors in Qatar

The shares of our common stock described in this prospectus have not been, and will not be, offered, sold or delivered, at any time, directly or indirectly in the State of Qatar in a manner that would constitute a public offering. This prospectus has not been, and will not be, registered with or approved by the Qatar Financial Markets Authority or Qatar Central Bank and may not be publicly distributed. This prospectus is intended for the original recipient only and must not be provided to any other person. It is not for general circulation in the State of Qatar and may not be reproduced or used for any other purpose.

LEGAL MATTERS

The validity of the shares of our common stock offered hereby will be passed upon for us by Latham & Watkins LLP, Costa Mesa, California. Goodwin Procter LLP, New York, New York, is acting as counsel for the underwriters in connection with certain legal matters related to this offering. Latham & Watkins LLP is acting as counsel for the selling stockholders in connection with this offering.

EXPERTS

Ernst & Young LLP, independent registered public accounting firm, has audited our combined/consolidated financial statements at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, as set forth in their report. We've included our financial statements in the prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits filed therewith. For further information about us and the shares of our common stock offered hereby, reference is made to the registration statement and the exhibits filed therewith. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and in each instance, we refer you to the copy of such contract or other document filed as an exhibit to the registration statement. The SEC maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the website is *www.sec.gov*.

As a result of this offering, we will become subject to the information and reporting requirements of the Exchange Act and, in accordance with this law, will file periodic reports, proxy and information statements and other information with the SEC upon the completion of this offering. These periodic reports, proxy and information statements and other information will be available for inspection at the website of the SEC referred to above. We also maintain a website at *www.pacs.com.* Upon the completion of this offering, you may access these materials free of charge as soon as reasonably practicable after they are filed electronically with, or furnished to, the SEC. The inclusion of our website address in this prospectus is an inactive textual reference only. The information contained on, or that can be accessed through, our website is not incorporated by reference into, and is not a part of, this prospectus or the registration statement of which this prospectus forms a part. Investors should not rely on any such information in deciding whether to purchase our common stock.

INDEX TO THE AUDITED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of PACS Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying combined/consolidated balance sheets of PACS Group, Inc. and subsidiaries (the Company) as of December 31, 2023 and 2022, the related combined/consolidated statements of income, stockholders' equity/(deficit) and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the “combined/consolidated financial statements”). In our opinion, the combined/consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the combined/consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

	Professional liability and general liability claims reserve
Description of the Matter	At December 31, 2023, the Company's professional liability and general liability claims reserve was $163.0 million. As further described in Note 14 to the combined/consolidated financial statements, the professional liability and general liability claims reserve includes an estimate of the Company's liability for professional and general claims that have been reported as well as claims that have been incurred but not reported. The Company utilizes an external actuary to assist management in estimating the exposure for claims obligations, both asserted and unasserted. Auditing the professional liability and general liability claims reserve is complex and highly judgmental due to the significant estimation required in determining the claims reserve, particularly the assumptions regarding the severity and frequency of claims. The Company develops information relating to the ultimate size of the claims based on historical experience and current industry information which is used in the actuarial analysis.
How We Addressed the Matter in Our Audit	To test the professional liability and general liability claims reserve, our audit procedures included, among others, obtaining an understanding of the factors considered and assumptions made by management and its external actuary in developing the estimate of the professional liability and general liability claims reserve, including the sources of data relevant to these factors and assumptions. We tested underlying claims data, including the completeness and accuracy of open and settled cases. We reviewed the Company's insurance contracts to understand the policy terms and verified that the policy terms were incorporated within the actuarial report. We also involved our actuaries to assist in evaluating the methodologies and key assumptions used in the actuarial report. We compared the Company's professional liability and general liability claims reserve to an independent range calculated by our actuaries.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2022.

Salt Lake City, Utah

March 13, 2024,

except for the retroactive effect of the 1-for-6,436.1693 stock split as described in the fourth paragraph of Note 17, as to which the date is

April 1, 2024

PACS GROUP, INC. AND SUBSIDIARIES
COMBINED/CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except for share values)

	December 31,	
	2023	2022
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 73,416	$ 58,269
Accounts receivable, net	547,807	370,924
Other receivables	52,259	49,200
Prepaid expenses and other current assets	48,665	32,770
Total Current Assets	722,147	511,163
Property and equipment, net	577,528	430,565
Operating lease right-of-use assets	2,007,812	1,345,044
Escrow funds	15,649	16,217
Goodwill and other indefinite-lived assets	65,291	61,491
Other assets	124,312	97,411
Total Assets	$ 3,512,739	$ 2,461,891
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	$ 140,947	$ 110,576
Accrued payroll and benefits	92,234	77,360
Current operating lease liabilities	109,438	83,171
Current maturities of long term debt	16,822	61,363
Current portion of accrued self-insurance liabilities	27,536	24,233
Other accrued expenses	69,949	127,159
Total Current Liabilities	456,926	483,862
Long-Term Liabilities:		
Long-term operating lease liabilities	1,961,997	1,304,780
Accrued benefits, less current portion	6,738	15,287
Lines of credit	520,000	146,820
Long-term debt, less current maturities, net of deferred financing fees	195,708	291,521
Accrued self-insurance liabilities, less current portion	146,167	113,894
Other liabilities	123,477	37,076
Total Long-Term Liabilities	2,954,087	1,909,378
Total Liabilities	3,411,013	2,393,240
Commitments and contingencies (Note 14)		
Equity:		
Common stock - 64,361,693,000 shares authorized, $0.001 par value, 128,723,386 shares issued and outstanding	129	129
Retained earnings	95,997	63,517
Total stockholders' equity	96,126	63,646
Non-controlling interest in subsidiary	5,600	5,005
Total Equity	101,726	68,651
Total Liabilities and Equity	$ 3,512,739	$ 2,461,891

See accompanying notes to combined/consolidated financial statements.

PACS GROUP, INC. AND SUBSIDIARIES
COMBINED/CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands, except for share and per share values)

	December 31, 2023	December 31, 2022	December 31, 2021
Revenue			
Patient and resident service revenue	$ 3,110,114	$ 2,399,155	$ 1,135,909
Additional funding	375	21,482	28,563
Other revenues	1,003	1,357	2,091
Total Revenue	$ 3,111,492	$ 2,421,994	$ 1,166,563
Operating Expenses			
Cost of services	2,447,713	1,861,314	901,095
Rent - cost of services	216,711	160,003	78,122
General and administrative expense	213,664	149,006	96,834
Depreciation and amortization	25,632	22,311	7,153
Total Operating Expenses	$ 2,903,720	$ 2,192,634	$ 1,083,204
Operating Income	$ 207,772	$ 229,360	$ 83,359
Other (Expense) Income			
Interest expense	(49,919)	(25,538)	(5,278)
Other (expense) income, net	(536)	3,223	3,345
Total Other Expense, net	$ (50,455)	$ (22,315)	$ (1,933)
Income before provision for income taxes	157,317	207,045	81,426
Provision for income taxes	(44,435)	(56,549)	(33,479)
Net Income	$ 112,882	150,496	47,947
Less:			
Net income attributable to noncontrolling interest	$ 8	—	—
Net income attributable to PACS Group, Inc.	$ 112,874	$ 150,496	47,947
Net income per common share attributable to PACS Group, Inc.			
Basic and diluted	$ 0.88	$ 1.17	$ 0.37
Weighted-average shares outstanding			
Basic and diluted	128,723,386	128,723,386	128,723,386

See accompanying notes to combined/consolidated financial statements.

PACS GROUP, INC. AND SUBSIDIARIES
COMBINED/CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY/(DEFICIT)
(dollars in thousands, except for share values)

	Common Stock		Retained Earnings (Accumulated Deficit)	Non-Controlling Interest	Total Stockholders' Equity (Deficit)
	Shares	Amount			
Balance January 1, 2021	128,723,386	$ 129	$ (40,992)	$ 1,759	$ (39,104)
Dividends on Common Stock ($0.26 per share)	—	—	(33,654)	—	(33,654)
Net Income	—	—	47,947	—	47,947
Balance December 31, 2021	128,723,386	$ 129	$ (26,699)	$ 1,759	$ (24,811)
Contributions	—	—	—	3,246	3,246
Dividends on Common Stock ($0.47 per share)	—	—	(60,280)	—	(60,280)
Net Income	—	—	150,496	—	150,496
Balance December 31, 2022	128,723,386	$ 129	$ 63,517	$ 5,005	$ 68,651
Contributions	—	—	—	587	587
Dividends on Common Stock ($0.62 per share)	—	—	(80,394)	—	(80,394)
Net income attributable to noncontrolling interest	—	—	—	8	8
Net income attributable to PACS Group, Inc.	—	—	112,874	—	112,874
Balance December 31, 2023	128,723,386	$ 129	$ 95,997	$ 5,600	$ 101,726

See accompanying notes to combined/consolidated financial statements.

PACS GROUP, INC. AND SUBSIDIARIES
COMBINED/CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	December 31, 2023	2022	2021
Cash flows from operating activities:			
Net income	$ 112,882	$ 150,496	$ 47,947
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	25,632	22,311	7,153
Amortization and write-off of deferred financing fees	6,068	1,205	902
Loss (gain) on disposition of property and equipment	581	4	(2,974)
Loss (gain) on investment in partnership	391	346	(232)
Deferred taxes	(9,923)	(1,921)	7,834
Noncash lease expense	22,727	14,464	1,329
Change in operating assets and liabilities			
Accounts receivable, net	(176,883)	(114,416)	(36,903)
Other receivables	(3,059)	(202)	(3,185)
Prepaid expenses and other current assets	(18,765)	(6,371)	14,967
Other assets	(3,338)	(39,341)	2,193
Escrow funds	568	(4,526)	(5,112)
Operating lease obligations	(2,011)	(92)	(1,091)
Accounts payable	33,371	32,808	30,778
Accrued payroll and benefits	6,325	(5,564)	6,825
Accrued self-insurance liabilities	35,576	67,636	32,633
Other accrued expenses	(55,501)	(24,390)	(25,294)
Other liabilities	89,056	168	(20,168)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 63,697	$ 92,615	$ 57,602
Cash flows from investing activities			
Investment in partnership	$ (2,597)	$ —	$ (15,714)
Non-operating distributions from investment in partnership	1,862	2,905	877
Acquisition of facilities	(127,024)	(55,374)	(79,676)
Purchase of property and equipment	(45,782)	(22,862)	(124,087)
Cash proceeds from the sale of assets	750	10	—
NET CASH USED IN INVESTING ACTIVITIES	$ (172,791)	$ (75,321)	$ (218,600)
Cash flows from financing activities			
Borrowing on lines-of-credit, net of deferred financing fees	855,704	154,528	460,923
Payments on lines-of-credit	(497,986)	(119,149)	(352,120)
Dividends on common stock	(80,394)	(60,280)	(53,797)
Contributions from non-controlling interest	587	3,246	—
Borrowings of long-term debt, net of deferred financing fees	411,313	87,906	161,474
Payments on long-term debt	(559,632)	(53,901)	(34,432)
NET CASH PROVIDED BY FINANCING ACTIVITIES	$ 129,592	$ 12,350	$ 182,048

PACS GROUP, INC. AND SUBSIDIARIES
COMBINED/CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(dollars in thousands)

	December 31, 2023	2022	2021
Net change in cash	20,498	29,644	21,050
Cash, cash equivalents, and restricted cash - beginning of year	98,206	68,562	47,512
Cash, cash equivalents, and restricted cash - end of year	$ 118,704	$ 98,206	$ 68,562
Supplemental disclosures of cash flow information			
Cash paid during the period for:			
Interest	50,558	25,911	6,943
Income taxes	60,009	42,554	29,110
Non-cash financing and investing activity			
Accrued capital expenditures	3,000	717	1,799
Assets acquired in operation expansions in exchange for notes payable	2,150	8,200	12,800

See accompanying notes to combined/consolidated financial statements.

NOTE 1. ORGANIZATION AND NATURE OF BUSINESS

PACS Group, Inc. (PACS Group), a Delaware corporation, was incorporated on March 24, 2023. PACS Group is a holding company which consolidates various operating and other subsidiaries. PACS Group's applicable operating subsidiaries operate various skilled nursing facilities (SNF) and assisted living facilities (ALF). PACS Group also owns other subsidiaries that are engaged in the acquisition, ownership, and leasing of health care-related properties. As of December 31, 2023 PACS Group subsidiaries operated 208 health care facilities in the states of Arizona, California, Colorado, Kentucky, Missouri, Nevada, Ohio, South Carolina, and Texas. PACS Group subsidiaries operated approximately 22,950 skilled nursing beds and 690 assisted living beds as of that date. As of December 31, 2023, PACS Group subsidiaries operated 179 facilities under long-term lease arrangements and had options to purchase 11 of those facilities.

PACS Group subsidiaries have investments in joint ventures that own the underlying real estate and related improvements of 14 post-acute care facilities that are operated by other PACS Group subsidiaries. PACS Group also owns subsidiaries that own real estate and related improvements that are leased to applicable affiliated SNF operating entities and one non-affiliated ALF operating entity. PACS Group's real estate portfolio includes 29 properties which are operated and managed by applicable PACS Group subsidiaries.

Providence Administrative Consulting Services, Inc. (PACS), a California corporation, is a subsidiary of PACS Group and provides administrative support services, on a consulting basis, to other subsidiaries of PACS Group.

PACS Group also has a wholly-owned captive insurance subsidiary, Welsch Insurance Ltd. (Welsch). Welsch provides coverage to various consolidated operating subsidiaries related to Professional Liability and General Liability (PLGL) insurance.

Reorganization

Prior to June 30, 2023, Providence Group, Inc. (PGI) owned the operating subsidiaries of PACS Group. On June 30, 2023, PGI and its consolidated subsidiaries reorganized (the Reorganization) to facilitate their entrance into a new credit agreement, dated June 30, 2023 (the New Credit Agreement), between certain lenders party thereto, Truist Bank, as administrative agent, PACS Group, and PACS Holdings, LLC (PACS Holdings) as borrower thereunder. PACS Group and its wholly owned subsidiary PACS Holdings were created on March 24, 2023, and April 10, 2023, respectively, in anticipation of the Reorganization. The equity interests of certain other direct or indirect wholly-owned subsidiaries of PGI at the time of the Reorganization were also contributed to other new direct or indirect wholly-owned subsidiaries of PACS Group to facilitate the New Credit Agreement. PACS Group and its consolidated subsidiaries subsequent to the Reorganization are collectively referred to herein as the Company. The New Credit Agreement is described in Note 8.

The Reorganization was effected by the two then-existing stockholders of PGI (which at the time was the direct or indirect parent company of all consolidated entities comprising the Company), contributing their respective shares in PGI to newly-formed PACS Holdings, in exchange for a proportionate interest of shares in newly-formed PACS Group (via issuance of shares of PACS Group), and thus became the sole stockholders of PACS Group.

As a result of the Reorganization, (i) for most practical purposes PACS Group in effect became the successor to the historical consolidated business of PGI, and (ii) both of the two stockholders of PGI immediately prior to the Reorganization became the sole stockholders of PACS Group, and maintained their respective pro rata ownership percentage in PACS Group that they held in PGI immediately prior to the Reorganization (which was and remained 50/50).

The Reorganization was accounted for as an equity reorganization between entities under common control. The Reorganization combined entities that historically have not been presented together resulting in financial statements that are effectively considered to be those of a different reporting entity. Accordingly, the historical financial statements for periods prior to the Reorganization represent combined financial statements and the financial statements after the Reorganization represent consolidated financial statements. The contribution of shares of PGI and receipt of shares of PACS Group will be accounted on a retrospective basis. Accordingly, all share and per share amounts in these combined/consolidated financial statements and related notes have been retrospectively restated, where applicable, for all periods herein, to give effect to the current shares outstanding of PACS Group.

(dollars in thousands, except for share and per share values)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying combined/consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The combined/consolidated financial statements include the accounts of PACS Group, and its consolidated subsidiaries, or the Company as defined above. All intercompany transactions and balances have been eliminated in consolidation. The Company presents noncontrolling interests within the equity section of its combined/consolidated balance sheets and the amount of combined/consolidated income that is attributable to the Company and the noncontrolling interest in its combined/consolidated statements of income.

Use of Estimates

The preparation of the combined/consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined/consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant estimates in the Company's financial statements relate to revenue, acquired property, right-of-use assets, lease liabilities, impairment of long-lived assets, and general and professional liabilities included in accrued self-insurance liabilities. Actual results could differ from estimated amounts.

Restricted Cash, Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term investments with original maturities of three months or less at the time of purchase and therefore approximate fair value. The Company considers highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company maintains its cash and short-term investment balances in several high-credit quality financial institutions.

Included in restricted cash are funds held for PLGL and, prior to 2023, workers' compensation (WC) claims. Funds held in restricted cash are contractually obligated to be segregated from the Company's other cash accounts and are legally restricted for the use of funding WC and PLGL claims.

At any point in time the Company has funds in operating accounts and restricted cash accounts that are with third-party financial institutions. While management monitors the cash balances in operating accounts, these cash and restricted cash balances could be impacted if the underlying financial institutions fail or could be subject to other adverse conditions in the financial markets.

The following is a reconciliation of cash and cash equivalents on the combined/consolidated balance sheets to total cash, cash equivalents, and restricted cash on the combined/consolidated statement of cash flows as of December 31, 2023, 2022 and 2021:

	Year Ended December 31,		
	2023	2022	2021
Cash and cash equivalents	$ 73,416	$ 58,269	$ 31,962
Restricted cash (included in prepaid expenses and other current assets)	4,977	7,847	5,700
Restricted cash (included in other assets)	40,311	32,090	30,900
Total cash, cash equivalents, and restricted cash	$ 118,704	$ 98,206	$ 68,562

Cash in Excess of FDIC Limits

The Company currently has bank deposits with financial institutions in the U.S. that exceed FDIC insurance limits. FDIC insurance provides protection for bank deposits up to $250,000. The Company has not experienced any losses in such amounts.

Insurance Subsidiary Deposits and Investments

The Company's captive insurance subsidiary cash and cash equivalents, deposits and investments are designated to support long-term insurance subsidiary liabilities and have been classified as short-term and long-term assets based on the timing of expected future payments of the Company's captive insurance liabilities.

Patient and Resident Service Revenue

Patient and resident service revenue is derived from services rendered, under short-term contracts, to patients for skilled and intermediate nursing, rehabilitation therapy, and assisted living services. Patient and resident service revenue is reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing patient services. These amounts are due from patients, governmental programs, and other third-party payors, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations.

The Company recognizes revenue as its performance obligations are completed. Routine services are treated as a single performance obligation satisfied over time as services are rendered. These routine services represent a bundle of services that are not capable of being distinct. The performance obligations are satisfied over time as the patient simultaneously receives and consumes the benefits of the healthcare services provided. Additionally, there may be ancillary services which are not included in the daily rates for routine services, but instead are treated as separate performance obligations satisfied at a point in time when those services are rendered.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist primarily of amounts due from Medicare and Medicaid, managed care health plans and private payor sources, net of estimates for variable consideration. At December 31, 2023 and 2022, the allowance for doubtful accounts was immaterial to the combined/consolidated financial statements.

The Company determines the transaction price based on established billing rates reduced by contractual adjustments provided to third-party payors. Contractual adjustments are based on contractual agreements and historical experience. The Company considers the patient's ability and intent to pay the amount of consideration upon admission and records an implicit price concession based on historical patient collection experience. The allowance for implicit price concession is routinely evaluated and any subsequent changes are recorded as an adjustment to patient and resident service revenue in the combined/consolidated statements of income. The implicit price concession recorded as a reduction to patient and resident service revenue was $52,078, $33,927 and $13,733 for the years ended December 31, 2023, 2022, and 2021, respectively. As of December 31, 2023 and 2022, the Company has recorded estimated implicit price concessions as a reduction to accounts receivable of $42,171, and $33,988, respectively.

Government Grants

In the absence of specific guidance to account for government grants under U.S. GAAP, the Company has concluded to account for government grants in accordance with International Accounting Standard (IAS) 20, Accounting for Government Grants and Disclosure of Government Assistance, and as such, the Company recognizes grant income on a systematic basis in line with the recognition of specific expenses and lost revenues for which the grants are intended to compensate. Additional funding presented on the combined/consolidated statements of income is associated with government grants received through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). See Note 3 for more details.

Property and Equipment, Net

Property and equipment are stated at historical cost less accumulated depreciation and amortization. Repair and maintenance charges which do not increase the useful lives of the assets are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the property and equipment. The following is a summary of the depreciable lives of the Company's depreciable assets:

Buildings and improvements - minimum of 5 years to a maximum of 40 years, but generally 30 years
Leasehold improvements - shorter of the lease term or the estimated useful life, generally 5 to 15 years
Furniture and equipment - 3 to 15 years

Leasehold improvements are amortized over the lesser of the estimated useful life of the improvement or the term of the lease. Upon sale or retirement, the cost and the related accumulated depreciation and amortization are eliminated from the respective accounts and the resulting gain or loss included in current income.

Leases

The Company leases skilled nursing facilities, assisted living facilities, and commercial office space. The Company determines if an arrangement is a lease (for accounting purposes) at the inception of each lease.

Real estate leases are generally classified as operating leases and therefore the Company records rent expense on a straight-line basis over the term of the lease. The lease term used for straight-line rent expense is calculated from the date the Company is given control of the leased premises through the end of the lease term. Renewals are not assumed in the determination of the lease term unless they are deemed to be reasonably assured at the inception of the lease. The lease term used for this evaluation also provides the basis for establishing depreciable lives for buildings subject to lease and leasehold improvements. The Company has made an accounting policy election to keep leases with an initial term of 12 months or less off of the balance sheets and recognize those lease payments in the combined/consolidated statements of income on a straight-line basis over the lease term. The Company has also elected the practical expedient to not separate lease and non-lease components for all of its leases as the non-lease components are not significant to the overall lease costs.

The Company's real estate leases generally have initial lease terms of ten years or more and typically include one or more options to renew, with renewal terms that generally extend the lease term for an additional three to twenty years. Exercise of renewal options is generally subject to the satisfaction of certain conditions which vary by contract and generally follow payment terms that are consistent with those in place during the initial term.

Business Combinations

The Company accounts for acquisitions using the acquisition method of accounting in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 805, *Business Combinations* (ASC 805). Acquisitions are accounted for as purchases and are included in the combined/consolidated financial statements from their respective acquisition dates. Assets acquired and liabilities assumed, if any, are measured at fair value on the acquisition date. Goodwill generated from acquisitions is recognized for the excess of the purchase price over tangible and identifiable intangible assets. In determining the fair value of identifiable assets, the Company uses various valuation techniques. These valuation methods require management to make estimates and assumptions surrounding projected revenues and costs, future growth, and discount rates.

Goodwill and Other Indefinite-Lived Intangible Assets

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value assigned to the individual assets acquired and liabilities assumed. The Company assesses goodwill for impairment at least annually on October 1st. The Company will perform an impairment assessment at other times if facts and circumstances indicate that it is more likely than not that the fair value of a reporting unit that has goodwill is less than its carrying value.

When assessing goodwill for impairment the Company may elect to first perform a qualitative assessment to determine if the quantitative impairment test is necessary. If the Company does not perform a qualitative assessment, or if the qualitative assessment indicates it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company performs a quantitative test. The Company recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized would not exceed the total amount of goodwill allocated to the reporting unit.

The Company's indefinite-lived intangible assets primarily consist of licenses. The Company reviews indefinite-lived intangible assets for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable.

The Company may elect to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying value. If the Company does not perform the qualitative assessment, or if the qualitative assessment indicates it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount, the Company calculates the estimated fair value of the indefinite-lived intangible asset. If the estimated fair value of the indefinite-lived intangible asset is lower than its carrying amount, an impairment loss is recognized for the difference.

Fair Value Measurements

The Company's financial instruments consist principally of cash and cash equivalents, accounts receivable, insurance subsidiary deposits, accounts payable and borrowings.

Fair value measurements are based on a three-tier hierarchy that prioritizes the inputs used to measure fair value. The three-tiers include: Level 1: observable inputs such as quoted market prices in active markets; Level 2: inputs other than quoted market prices included in Level 1 that are directly or indirectly observable for the asset or liability and Level 3: unobservable inputs for which little or no market data exists, thereby requiring management to develop their own estimates and assumptions.

Impairment of Long-Lived Assets

In accordance with ASC Topic 360, *Property, Plant, and Equipment* (ASC 360), long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of these assets is determined based upon expected undiscounted future net cash flows from the operating subsidiaries to which the assets relate, utilizing management's best estimate, appropriate assumptions, and projections at the time. If the expected future cash flow from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is recognized and measured using the fair value of the related assets. The Company did not identify any indicators of impairment of its long-lived assets during the years ended December 31, 2023, 2022, and 2021.

Accrued Risk Reserves

The Company is principally self-insured for risks related to PLGL claims. Additionally, the Company is partially self-insured for risks related to WC policies. Accrued risk reserves primarily represent the accrual for risks associated with WC and PLGL claims. The accrued risk reserves include a liability for unpaid reported claims and estimates for incurred but unreported claims. The Company's policy with respect to a significant portion of its WC program assumed as part of the Plum acquisitions (this acquisition is discussed further in Note 15), and its PLGL claims is to use an actuary to assist management in estimating the Company's exposure for claims obligation (for both asserted and unasserted claims). The Company's retrospective-rated premium WC policy is subject to an annual assessment of the policy premium in relation to the payroll and losses incurred for the policy period. The Company recognizes the WC retrospective policy adjustment as the amount of settlement is determined.

Investments in Joint Ventures

Investments in joint ventures, in which the Company exercises significant influence over operating and financial policies, are accounted for using the equity method of accounting. Under this method, the investment is carried at cost and is adjusted to recognize the investor's share of earnings or losses of the investee after the date of acquisition and is adjusted for impairment whenever it is determined that a decline in the fair value below the cost basis is other than temporary. The fair value of the investment then becomes the new cost basis of the investment, and it is not adjusted for subsequent recoveries in fair value. The Company evaluates its investment in joint ventures, including cost in excess of book value (equity method goodwill) for impairment whenever indicators of impairment exist. No indicators of impairment existed as of December 31, 2023, 2022 and 2021.

Noncontrolling Interest

The Company is the majority-owner in a subsidiary which was formed to develop land, a building, and other assets to be leased to a facility operated by the Company upon completion. The noncontrolling interest in subsidiary is initially recognized at estimated fair value on the contribution date and is presented within total equity in the Company's combined/consolidated balance sheets since these interests are not redeemable.

Advertising

Advertising costs are expensed as incurred. For the years ended December 31, 2023, 2022, and 2021, advertising expenses included in the Company's combined/consolidated statements of income were $7,127, $5,414, and $4,870, respectively.

Income Taxes

The Company utilizes ASC Topic 740, *Income Taxe*s (ASC 740), which requires an asset and liability approach for financial accounting and reporting for income taxes. Under this guidance, deferred tax assets and liabilities are determined based upon differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax laws that will be in effect when the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. See Note 10 for further discussion of the Company's accounting for income taxes.

Under ASC 740, tax positions are evaluated for recognition using a more–likely–than–not threshold, and those tax positions requiring recognition are measured at the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Liabilities for income tax matters include amounts for income taxes, applicable penalties, and interest thereon and are the result of the potential alternative interpretations of tax laws and the judgmental nature of the timing of recognition of taxable income.

The Company recognizes deferred tax assets (DTAs) to the extent that it believes that the assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, carryback potential if permitted under the tax law, and results of recent operations. The Company generally expects to fully utilize its DTAs; however, when necessary, the Company records a valuation allowance to reduce its net deferred tax assets to the amount that is more likely than not to be realized.

Concentration of Credit Risks

The Company's credit risks primarily relate to cash and cash equivalents, restricted cash, and accounts receivable. Cash and cash equivalents are primarily held in bank accounts and overnight investments. The Company holds amounts of cash in excess of the FDIC insured limits. Restricted cash is primarily invested in commercial paper and certificates of deposit with financial institutions and other interest-bearing accounts. Accounts receivable consist primarily of amounts due from patients (funded through Medicare, Medicaid, other contractual programs and through private payors) and from other health care companies for management, accounting and other services. The collectability of account receivable balances is dependent on the availability of funds from certain programs that rely on governmental funding, primarily Medicare and Medicaid. The Company's receivables from Medicare and Medicaid programs accounted for 20% and 36% of total accounts receivable, respectively, at December 31, 2023 and 32% and 21% of total accounts receivable, respectively, at December 31, 2022. These receivables represent the only significant concentration of credit risk for the Company. The Company does not believe there are significant credit risks associated with these governmental programs. The Company performs continual credit evaluations of the Company's clients and maintains appropriate allowances for doubtful accounts on any accounts receivable proving uncollectible, and continually monitors and adjusts these allowances as necessary.

The Company's operating subsidiaries, excluding four subsidiaries that exclusively operate assisted living facilities, have all of their skilled nursing beds designated for care of patients under federal Medicare and/or state Medicaid programs. 63% of skilled nursing beds are located in California.

Comprehensive Income

The Company does not have any components of other comprehensive income recorded within its combined/consolidated financial statements and, therefore, does not separately present a statement of comprehensive income in its combined/consolidated financial statements.

Segment Presentation

The Company's chief operating decision maker (CODM), the Chief Operating Officer, reviews the consolidated results of operations when making decisions about allocating resources and assessing the performance of the Company as a whole and, hence, the Company has only one reportable segment. The Company does not distinguish between markets or regions for the purpose of allocating resources.

Recent Accounting Standards Issued But Not Yet Adopted by the Company

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The standard improves reportable segment disclosure requirements for public business entities primarily through enhanced disclosures about significant segment expenses that are regularly provided to the CODM and included within each reported measure of segment profit (referred to as the "significant expense principle"). The standard will become effective for the Company for the fiscal year 2024 annual financial statements and interim financial statements thereafter and will be applied retrospectively for all prior periods presented in the financial statements, with early adoption permitted. The Company is currently evaluating the impact this guidance will have on the disclosures included in the Notes to the combined/consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires the Company to disclose disaggregated jurisdictional and categorical information for the tax rate reconciliation, income taxes paid and other income tax related amounts. The standard will become effective for the Company for the fiscal year 2024 annual financial statements and may be applied prospectively or retrospectively for all prior periods presented in the financial statements, with early adoption permitted. The Company is currently evaluating the impact this guidance will have on the disclosures included in the Notes to the combined/consolidated financial statements.

NOTE 3. REVENUE AND ACCOUNTS RECEIVABLE

Patient and Resident Service Revenue

The Company's patient and resident service revenue is derived primarily from the Company's applicable subsidiaries providing healthcare services to their respective patients and residents. Revenue is recognized when services are provided to the patients at the amount that reflects the consideration to which the Company expects to be entitled. These amounts are due from residents, third-party payors (including health insurers and government payors), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits and other reviews by the payor. Generally, the licensed healthcare provider entity providing the applicable services bills the applicable payors monthly.

The healthcare services in skilled patient contracts include routine services in exchange for a contractual agreed-upon amount or rate. Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the applicable licensed healthcare provider entity. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Company believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents receiving services in the facility and, when applicable, residents receiving services in their homes (independent care or assisted living). The Company measures the performance obligation from admission into the facility, or the commencement of the service, to the point when the applicable licensed healthcare provider entity is no longer required to provide services to that resident, which is generally at the time that the resident discharges from the applicable facility or passes away.

Revenue recognized from healthcare services is adjusted for estimates of variable consideration to arrive at the transaction price. The Company determines the transaction price based on contractually agreed-upon amounts or rates, adjusted for estimates of variable consideration. Variable consideration includes estimates of implicit price concessions so that the estimated transaction price is reflective of the amount to which the Company expects to be entitled in exchange for providing the healthcare services to customers. Variable consideration is estimated using the expected value method based on the Company’s historical reimbursement experience. The amount of variable consideration constrains the transaction price, such that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. Historically the Company has not had material differences between its estimated transaction price and actual collections from payors. If actual amounts of consideration ultimately received differ from the Company’s estimates, it adjusts these estimates, which would affect net service revenue in the period such variances become known.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors is as follows:

Medicaid: Payments for skilled nursing facility services rendered to Medicaid (including Medi-Cal, which is the name of the state Medicaid program in California) program beneficiaries are based on an annually established daily reimbursement rate for eligible stays. The rate is adjusted annually. The final settlement is determined after submission of an annual cost report and audits thereof by Medicaid. Revenue from the Medicaid program amounted to 38%, 30%, and 35% of the Company’s combined/consolidated net patient and resident revenue for the years ended December 31, 2023, 2022, and 2021, respectively.

Medicare: Payments for skilled nursing facility services rendered to Medicare program beneficiaries are based on prospectively determined daily rates which vary according to a patient diagnostic classification system. The applicable licensed healthcare provider entity is paid for certain reimbursable services at the approved rate with final settlement determined after submission of the annual cost report and audit thereof by the designated Medicare fiscal intermediary. Revenue from the Medicare program amounted to 39%, 48%, and 44% of the Company’s combined/consolidated net patient and resident revenue for the years ended December 31, 2023, 2022, and 2021, respectively.

Managed Care, Private and Other: Payments for services rendered to private payors and other primary payors included in the table below are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations, and preferred provider organizations, which provide for various discounts from the established rates. Revenue from these sources collectively amounted to 24%, 22%, and 21% of the Company’s combined/consolidated net patient and resident revenue for the years ended December 31, 2023, 2022, and 2021, respectively.

(dollars in thousands, except for share and per share values)

The Company's contracts are short term in nature with a duration of one year or less. The Company has minimal unsatisfied performance obligations at the end of the reporting period as patients are typically under no obligation to remain admitted in the Company's facilities or under the Company's care. As the period between the time of service and time of payment is typically one year or less, the Company does not adjust for the effects of a significant financing component.

Included in the Company's combined/consolidated balance sheets are contract balances, comprising of billed accounts receivable and unbilled receivables, which are the result of the timing of revenue recognition, billings and cash collections, as well as contract liabilities, which primarily represent payments the Company receives in advance of services provided. The Company has no material contract liabilities and contract assets as of December 31, 2023 and 2022.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of audits and other reviews by governmental agencies or payor sources, health care providers from time to time receive requests for information and notices regarding billing audits and potential noncompliance with applicable laws and regulations, which, in some instances, can ultimately result in substantial monetary recoupments or other remedies being imposed on the healthcare provider. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. The Company believes that it is in compliance with all applicable laws and regulations.

The contracts the Company has with commercial payors also provide for retrospective audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits or other reviews are considered variable consideration and are included in the determination of the estimated transaction price for providing resident services. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Company's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits or other reviews. These amounts are immaterial.

The Company disaggregates revenue from contracts with its patients by payors. The Company determines that disaggregating 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 composition of patient and resident service revenue by primary payors for the years ended December 31, 2023, 2022, and 2021 are as follows:

	2023	% of Revenue	2022	% of Revenue	2021	% of Revenue
Medicare	$ 1,200,801	38.6 %	$ 1,142,863	47.6 %	$ 496,311	43.7 %
Medicaid	1,168,455	37.6 %	723,896	30.2 %	399,141	35.1 %
Managed care	586,850	18.9 %	416,089	17.3 %	159,541	14.0 %
Private and other	154,008	4.9 %	116,307	4.9 %	80,916	7.2 %
Total patient and resident service revenue	$ 3,110,114	100.0 %	$ 2,399,155	100.0 %	$ 1,135,909	100.0 %

Additional Funding and CARES Act

Through the CARES Act, the Company received $14,962 and $5,654 in funding from the U.S. Department of Health and Human Services (HHS) through the Provider Relief Fund (PRF) during the years ended December 31, 2022 and 2021, respectively. These funds were provided to healthcare providers who diagnose, test, or care for individuals with cases of COVID-19 and have health care related expenses and lost revenues attributable to

COVID-19. The Company recorded these funds as deferred revenue upon receipt and revenue is recognized only to the extent that health-care related expenses or lost revenues have been incurred and are not reimbursed from other funding sources. The company did not receive any funds related to this program during 2023.

The CARES Act also provided for refundable payroll tax credits known as the Employee Retention Tax Credit (ERTC), which allowed qualified employers to receive a credit of 70% of the employee qualified wages and related payroll costs paid after December 31, 2020 through September 30, 2021, up to a maximum credit of $7 per employee, per quarter, for a maximum of $21 per employee in 2021. The Company treated these credits under the accrual basis of accounting in conformity with U.S. GAAP. The Company interpreted the condition of partial suspension through governmental orders during all quarters of 2020 and the first three quarters of 2021, as defined by the CARES Act and to incur qualified payroll and related costs during the applicable quarters. The Company claimed a total of $32,428 under the ERTC, $18,656 related to 2021 qualified wages and $13,772 related to 2020 qualified wages. The Company utilized outside consultants to calculate the qualified wages and the ERTC amounts, and to prepare and submit the applications. Subsequently, due to uncertainty related to meeting the necessary qualifications, the Company recorded a reserve against the entire amount claimed. As of December 31, 2023 and 2022, the Company has recorded $36,477 and $17,119, respectively, in other liabilities to reflect the cash already received related to these credits which may need to be returned and potential penalties.

Additionally, under the CARES Act, employers could elect to defer the deposit and payment of the employers share of Social Security taxes through the end of 2020. One half of the deferral was required to be repaid on or before December 31, 2021 with the remaining half due on or before December 31, 2022. The deferral of social security tax payments in the amount of $7,793 was recorded as a liability at December 31, 2021. The Company paid $7,793 during the year ended December 31, 2022 and there are no remaining short-term or long-term balances as of December 31, 2022 and 2023.

NOTE 4. ESCROW FUNDS

Certain subsidiaries of the Company have obtained Department of Housing and Urban Development (HUD)-insured mortgages on properties that they lease to affiliated operating subsidiaries of the Company, while various other subsidiaries of the Company lease properties from unrelated third-party landlords that have obtained HUD-insured mortgages on the applicable properties. Under the terms of the HUD-insured mortgages, borrowers and/or their tenants are required to make certain deposits into escrow funds to be used for payment of property insurance, mortgage insurance premiums, and taxes. The deposits are generally maintained in an interest-bearing account with a federally insured financial institution.

Additionally, some HUD-insured mortgages require a reserve for replacement account and a non-critical repair reserve. Under the terms of the HUD-insured mortgages and the related regulatory agreements required by HUD, the tenants are required to make regular monthly deposits into a reserve for replacement account to assure the availability of funds to replace building components, furniture and equipment over time. All disbursements from this account require prior written approval by HUD and the mortgage lender. The non-critical repair reserve is used to cover estimated repairs on the properties typically within 12 months of closing on the HUD loans.

During 2021, the Company obtained a construction loan from an unaffiliated third-party lender that the subsidiary expects will be refinanced through a HUD-insured mortgage at a future date. At December 31, 2023 and 2022, this subsidiary had escrows related to debt service reserves, working capital escrows, and various other construction related escrows, in accordance with the terms of the loan agreement.

These reserve and escrow accounts are maintained under the control of the mortgage lender for the benefit of the applicable tenant and are generally held in an interest-bearing account with a federally insured financial institution.

(dollars in thousands, except for share and per share values)

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at:

	December 31, 2023	December 31, 2022
Buildings and improvements	$ 372,554	$ 265,520
Leasehold improvements	58,958	47,238
Furniture, fixtures, and other	64,750	46,842
Construction in process	50,937	39,813
Land	55,593	36,357
Finance lease right-of-use assets	40,536	34,960
	643,328	470,730
Less: accumulated depreciation and amortization	(65,800)	(40,165)
Property and equipment, net	$ 577,528	$ 430,565

The Company evaluated its long-lived assets and did not record an impairment charge for the years ended December 31, 2023, 2022, and 2021.

See Note 15 for information on expansions during the years ended December 31, 2023, 2022, and 2021.

NOTE 6. GOODWILL AND OTHER INDEFINITE-LIVED INTANGIBLE ASSETS

Goodwill consisted of the following:

	Goodwill
Balance as of January 1, 2022	$ 27,882
Acquisitions	8,495
Divestitures	—
Measurement period adjustment - Plum	18,844
Balance as of December 31, 2022	$ 55,221
Acquisitions	$ 3,800
Divestitures	$ —
Balance as of December 31, 2023	$ 59,021

There are no prior period accumulated goodwill impairment losses nor any goodwill impairment losses for the years ended December 31, 2023, 2022, and 2021.

As of the year ended December 31, 2023 and 2022, the Company's indefinite-lived intangible assets consisted of the following:

	December 31, 2023	December 31, 2022
Licenses	$ 6,270	$ 6,270
Total other indefinite-lived intangible assets	$ 6,270	$ 6,270

There are no prior period accumulated indefinite-lived intangible asset impairment losses nor any indefinite-lived intangible asset impairment losses for the years ended December 31, 2023, 2022, and 2021.

NOTE 7. INVESTMENT IN PARTNERSHIP

For the years ended December 31, 2023, 2022, and 2021, the Company had invested $12,362, $12,018, and $15,269, respectively, in multiple equity investments. These joint venture operations were formed to develop, own, and lease health care facilities to operational subsidiaries of the Company. Some of the joint ventures hold options to purchase the related real estate property holdings. Each of the joint ventures is governed by a managing member who makes the significant decisions that impact the economic performance of the joint venture. The Company is not the managing member of any of the joint ventures in which it is invested. All of the investments are individually immaterial with the Company's largest equity investment of $9,481 in a joint venture representing an ownership of 27%. All investments are included in other assets in the Company's combined/consolidated balance sheets. The Company accounts for its share in its equity method investments in the other income (expense), net line item in the Company's combined/consolidated statements of income. (Loss) income from the investments in partnerships was $(391), $(346), and $232 for the years ended December 31, 2023, 2022, and 2021, respectively.

NOTE 8. CREDIT FACILITIES

On February 28, 2023, the Company entered into a working capital loan agreement (the Working Capital Loan) in connection with the acquisition of various new facilities. The Working Capital Loan allowed the Company to borrow up to $17,500 at an annual interest rate of 9%. On May 8, 2023, the Company drew on the Working Capital Loan in the amount of $15,000. As described below, the Working Capital Loan was repaid during the year and, as such, has a zero balance as of December 31, 2023.

On June 30, 2023, the Company and certain of its subsidiaries entered into a credit agreement with Truist Bank (Truist) and a syndicate of lenders (the 2023 Credit Agreement), that extended credit in the form of the revolving credit facility thereunder, (the 2023 Revolving Credit Facility), including letter of credit and swing line sub facilities and a term loan facility (Truist Term Loan), together referred to as the 2023 Credit Facility. The 2023 Credit Agreement provided for: (i) 2023 Revolving Credit Facility with revolving commitments in an aggregate principal amount of $150,000, including a letter of credit sub facility in an amount representing that portion of the aggregate revolving commitments that may be used by the borrower for the issuance of letters of credit in an aggregate face amount not to exceed $30,000 and a swingline loan sub facility in an aggregate principal amount at any time outstanding not to exceed $20,000 and (ii) the Truist Term Loan in an aggregate principal amount of $275,000.

Outstanding borrowings under the 2023 Credit Facility accrued interest at either: (a) the Secured Overnight Financing Rate (SOFR) (plus a 0.10% credit spread adjustment) plus a margin ranging from 2.50% to 3.50% per annum; or (b) Base Rate (which was defined in a customary manner for credit facilities of this type) plus a margin ranging from 1.50% to 2.50% per annum. The applicable margin was based on the Company's debt to income ratio as calculated in accordance with the terms of the 2023 Credit Agreement. In addition, the Company agreed to pay a commitment fee on the unused portion of the 2023 Revolving Credit Facility, which ranged from 0.30% to 0.50% per annum, depending on the same debt to income ratio.

In connection with executing the 2023 Credit Agreement, deferred financing costs associated with both lines-of-credit and long-term debt of $3,109 were written off, and additional deferred financing costs of $9,662 were capitalized during the year ended December 31, 2023. In addition, on the closing date of the 2023 Credit Agreement, the Company drew $75,000 on the 2023 Revolving Credit Facility and borrowed the entirety of the $275,000 Truist Term Loan. See Note 9 for more details. The Company used approximately $142,000 of the net proceeds to repay certain outstanding indebtedness on prior lines of credit and the Working Capital Loan.

On December 7, 2023, the Company amended and restated the 2023 Credit Facility (Amended and Restated 2023 Credit Facility). The Amended and Restated 2023 Credit Facility provided for an increase of the 2023 Revolving Credit Facility to an aggregate principal amount of $600,000, which revolving commitments may also be utilized for (x) the issuance of letters of credit in an aggregate face amount not to exceed $50,000 and/or (y) the borrowing of swingline loans in aggregate principal amount not to exceed $20,000 at any time outstanding.

Outstanding borrowings under the Amended and Restated 2023 Credit Facility bear interest at the option of the Company based on: (a) SOFR (plus a 0.10% credit spread adjustment) plus a margin ranging from 2.25% to 3.25% per annum; or (b) the Base Rate (which is defined consistent with the 2023 Credit Facility) plus the applicable margin ranging from 1.25% to 2.25% per annum. The applicable margin is based on the Company's debt to income ratio as calculated consistent with the 2023 Credit Facility. In addition, the Company will pay a commitment fee on the unused portion of the commitments, which ranges from 0.25% to 0.45% per annum, depending on the same debt to income ratio.

Upon the closing of the Amended and Restated 2023 Credit Facility, the Company borrowed $460,000 of revolving loans, the proceeds of which were used to repay and refinance all term loans and revolving loans under the 2023 Credit Facility, to repay certain other outstanding indebtedness, and to pay transaction costs in connection with the Amended and Restated 2023 Credit Facility. Deferred financing costs associated with both lines-of-credit and long-term debt of $519 were written off as part of the refinance during the year ended December 31, 2023.

The agreement above contains certain financial and non-financial covenants and restrictions. Default by the applicable credit party on any covenant or restriction could affect the lender's commitment to lend, and, if not waived or corrected, could make the outstanding balances due on demand. Under the Amended and Restated 2023 Credit Facility, the Company must maintain a debt-to-income ratio of not greater than 3.00:1.00. The Amended and Restated 2023 Credit Facility also requires that the Company maintain a minimum interest/rent coverage ratio of not less than 1.10:1.00. The Company was in compliance with all such covenants and restrictions as of December 31, 2023.

The Company maintains the Amended and Restated 2023 Credit Facility as its single line-of-credit. At December 31, 2023, the total commitment limit continues to be $600,000 and was secured by Company assets. The agreements mature on December 7, 2028. The balance outstanding on all applicable lines was $520,000 at December 31, 2023, resulting in available cash of $80,000. The Company had no letters of credit outstanding as of December 31, 2023 and had $22,370 in letters of credit outstanding as of December 31, 2022.

As of December 31, 2022, the Company maintained several other lines-of-credit with commercial banks. At December 31, 2022, the total commitment limit amounted to $176,000 and was secured by Company assets. These agreements bear interest at rates ranging from LIBOR to LIBOR plus 3.5% and SOFR plus 3.15%. The agreements matured through November 5, 2024. The balance outstanding on these other applicable lines was $146,820 at December 31, 2022, resulting in available cash of $29,180. As discussed above, these other lines-of-credit were closed in connection with executing the 2023 Credit Agreement.

Deferred financing fees on lines-of-credit were $15,099 and $4,218 as of December 31, 2023 and 2022, respectively. Amortization expense relating to deferred financing fees on lines-of-credit for the year ended December 31, 2023 was $889 and was immaterial for the years ended December 31, 2022 and 2021, respectively. Accumulated amortization related to deferred financing fees on lines-of-credit was $193 and $2,811 for the years ended December 31, 2023 and 2022, respectively.

NOTE 9. LONG-TERM DEBT

During the years ended December 31, 2023 and 2022, some of the Company's subsidiaries entered into Department of Housing and Urban Development (HUD)-insured mortgage loans in the aggregate amount of $88,809 and $7,027, respectively. As a result, eight of the Company's subsidiaries had mortgage loans insured with HUD in the aggregate amount of $166,181 as of December 31, 2023, of which $2,346 is classified as short-term and the remaining $163,834 is classified as long-term. As of December 31, 2022, the Company's subsidiaries had HUD-insured mortgage loans in the aggregate amount of $79,031 of which $1,509 was classified as short-term and the remaining $77,522 was classified as long-term. These subsidiaries are subject to HUD-mortgage oversight and periodic inspections. As of December 31, 2023, the Company's HUD-insured mortgage loans bear fixed interest rates ranging from 2.4% to 6.3% per annum and have various maturity dates through December 31, 2058. In addition to the interest rate, the Company incurs other fees for HUD placement, including but not limited to audit fees. Amounts borrowed under the mortgage loans may be prepaid, subject to prepayment fees based on the principal balance on the date of prepayment. The original terms for all the HUD-insured mortgage loans are 30 to 35 years.

(dollars in thousands, except for share and per share values)

In addition to the HUD-insured mortgage loans above, the Company has 12 other mortgage loans or promissory notes. The non-HUD insured mortgage loans and notes bear interest rates in the range of 2.0% and 8.0% per annum with various maturity dates through June 1, 2027. The notes are secured by equipment and guarantees by the Company and its stockholders. As of December 31, 2023 and 2022, the Company had $48,829 and $277,201, respectively, of debt principal outstanding under the mortgage loans and promissory notes, of which $14,476 is classified as short-term and the remaining $34,354 is classified as long-term as of December 31, 2023, and $59,854 is classified as short-term and the remaining $217,347 is classified as long-term as of December 31, 2022.

The Company was in compliance with all applicable loan covenants with respect to the foregoing as of December 31, 2023 and 2022. The loans above are guaranteed by the Company. Additionally, various loans are secured by real property with a carrying value amounting to $438,645, and $323,439 at December 31, 2023 and 2022, respectively.

Long-term debt consists of the following at:

	December 31, 2023	December 31, 2022
HUD-insured mortgage loans	$ 166,181	$ 79,031
Other mortgage loans and promissory notes	48,829	277,201
Less: current maturities	(16,822)	(61,363)
Less: deferred financing fees, net	(2,480)	(3,348)
Total	$ 195,708	$ 291,521

Long-term debt and line-of-credit maturities, excluding deferred financing fees, for the next five years and in the aggregate are as follows as of December 31, 2023:

	Amount
2024	$ 16,822
2025	13,278
2026	3,545
2027	2,772
2028	522,770
Thereafter	175,823
Total	$ 735,010

Deferred financing fees incurred in conjunction with debt financing of $2,611 and $4,734 for the years ended December 31, 2023 and 2022, respectively, are being amortized over the life of the respective loans. Total amortization related to deferred financing fees is included in interest expense and amounted to $1,551, $978, and $462 for the years ended December 31, 2023, 2022, and 2021, respectively. Accumulated amortization related to those deferred financing fees was $131 and $1,386 for the years ended December 31, 2023 and 2022, respectively.

As discussed in Note 8, on June 30, 2023, the Company borrowed under the Truist Term Loan in connection with the execution of the 2023 Credit Agreement. Under the Truist Term Loan, the Company borrowed $275,000. The Truist Term Loan has a maturity date of June 30, 2028. Upon closing of the Truist Term Loan, the Company paid off certain other mortgage loans and promissory notes in the aggregate amount of $224,802. The Truist Term Loan was repaid on December 7, 2023 in connection with the closing of the Amended and Restated 2023 Credit Facility and as such, has a zero balance as of December 31, 2023.

(dollars in thousands, except for share and per share values)

NOTE 10. PROVISION FOR INCOME TAXES

Effective January 1, 2021, the Company elected "C" corporation status with the Internal Revenue Service.

For financial reporting purposes, income before income taxes includes the following components:

	2023	2022	2021
Income before provision for income taxes	157,317	207,045	81,426

The provision for income taxes on continuing operations for the years ended December 31, 2023, 2022, and 2021, respectively, is summarized as follows:

	2023	2022	2021
Current			
Federal	$ 38,242	$ 37,044	$ 16,438
State	16,116	15,932	9,551
Total current provision	54,358	52,976	25,989
Deferred			
Federal	(6,641)	3,345	8,700
State	(3,282)	228	(1,210)
Total deferred provision	(9,923)	3,573	7,490
Total income tax provision	$ 44,435	$ 56,549	$ 33,479

A reconciliation of the federal statutory rate to the effective tax rate for the years ended December 31, 2023, 2022 and 2021, respectively, is comprised as follows:

	2023	2022	2021
Income tax expense at statutory rate	21.0 %	21.0 %	21.0 %
State income taxes – net of federal benefit	6.5	6.3	8.3
Non-deductible expenses	0.9	0.4	1.6
Change in valuation allowance	1.3	—	—
Recognition of prior year deferred tax liability	—	—	10.2
Non-deductible transaction costs	—	—	0.8
Change to deferred taxes	(1.6)	—	—
Other Adjustments	—	(0.4)	(0.9)
Total effective tax rate	28.1 %	27.3 %	41.0 %

(dollars in thousands, except for share and per share values)

The Company's deferred tax assets and liabilities as of December 31, 2023 and 2022 are summarized as follows:

	2023	2022
Deferred tax assets (liabilities)		
Accrued expenses	$ 17,523	$ 13,740
Allowance for doubtful accounts	8,247	5,919
Deferred revenue	—	910
Insurance	15,428	11,131
Intangible assets	4,073	4,353
Deferred compensation	1,202	554
Lease liability	573,227	375,669
Total deferred tax assets	619,700	412,276
Valuation allowance	(2,107)	—
Total net deferred tax assets	617,593	412,276
Cash to accrual method change	(6,125)	(12,082)
Fixed assets	(36,838)	(31,622)
Prepaid expenses	(10,802)	(6,579)
Investment in partnership	(4,904)	(5,252)
Right of use asset	(555,766)	(364,055)
Other	(1,411)	(861)
Total deferred tax liabilities	(615,846)	(420,451)
Net deferred tax assets (liabilities)	$ 1,747	$ (8,175)

As of December 31, 2023, the Company has recorded a valuation allowance of 2,107 against its captive insurance dual consolidated loss deferred tax asset. This valuation allowance has been established because it is more likely than not that the deferred tax asset will not be realized.

The Company is subject to U.S. federal income tax, as well as income tax in certain states in which it operates. The Company's federal returns for tax years 2020 and forward are subject to examination, and state returns for tax years 2019 and forward are subject to examination. The Company is not, to its knowledge under examination by any federal or state income tax authority. The Company's balance of net deferred tax assets and net deferred tax liabilities is included within other assets and other liabilities on the combined/consolidated balance sheets as of December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, the Company did not have any unrecognized tax benefits. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. The Company does not anticipate the uncertain tax position to change materially within the next 12 months.

The Inflation Reduction Act 2022 (IRA), which incorporates a Corporate Alternative Minimum Tax (CAMT), was signed on August 16, 2022. The changes were effective for tax years beginning after December 31, 2022. The new tax requires companies to compute two separate calculations for federal income tax purposes and pay the greater of the new minimum tax or their regular tax liability. The IRA does not have a material impact for the Company.

NOTE 11. LEASES

Operating Leases

The Company leases most of its skilled nursing and assisted living facilities, as well as its office space and certain vehicles and equipment, under various non-cancelable operating lease agreements. These operating leases expire at various dates throughout 2049.

Substantially all operating leases for skilled nursing and assisted living facilities are on a “triple-net” basis, which require lessees to pay for all insurance, repairs, utilities, and real property taxes assessed on the leased property, and most of the leases are guaranteed by the Company and/or its stockholders.

For 11 of the facility operating leases, the Company holds an option to purchase the real estate which can be exercised at varying times starting September 9, 2021 through January 31, 2038. At lease inception it was determined that the exercise of these purchase options was not reasonably assured.

The facility leases are generally renewable at the Company’s option for additional terms ranging from 3 to 30 years. All facility leases provide for an additional percentage rent based upon specified rates per the terms of the agreements.

During the year ended December 31, 2021, the Company acquired facility leases and various leases for laptops, copiers, and vehicles as part of the acquisition further described in Note 15.

Real estate lease payments are deemed to constitute the right to use the underlying facilities and operate as a skilled nursing facility as permitted by the accompanying license. As the license is deemed to be inseparable from the related real estate in determining value, the payments related to these components have been combined into a single lease obligation representing the right to use the facilities and to operate under the terms of the accompanying license, respectively.

Finance Leases

The Company leases certain skilled nursing and assisted living facilities under finance lease agreements. The economic substance of each lease is that the Company is financing the facilities through the lease. The lease terms of these finance leases allow for a purchase option during a specified window. The Company has determined that it is reasonably certain to exercise the purchase option at the end of each purchase option window. Therefore the Company has calculated the lease term through the end of the purchase option window for each lease. Accordingly, such leases are recorded in the Company’s combined/consolidated financial statements as assets and liabilities.

Finance lease right-of-use assets are included in property and equipment and have a balance of $37,850 and $33,593 as of December 31, 2023 and 2022, respectively. The current portion of finance lease liabilities is included in other accrued expenses and has a balance of $942 and $37,895 as of December 31, 2023 and 2022, respectively. The long-term portion of finance lease liabilities is included in other liabilities and has a balance of $40,766 and $0 as of December 31, 2023 and 2022, respectively.

(dollars in thousands, except for share and per share values)

The components of lease expense were as follows:

	Year Ended December 31, 2023	2022	2021
Operating lease expense			
Rent - cost of services [(1)]	216,711	160,003	78,122
General and administrative expense	941	542	587
Variable lease costs [(2)]	26,399	21,252	9,337
Total operating lease expense	$ 244,051	$ 181,797	$ 88,046
Finance lease expense			
Amortization of right-of-use assets	1,264	1,230	191
Interest on lease liabilities	1,113	546	87
Total financing lease expense	2,377	1,776	278
Total lease expense	$ 246,428	$ 183,573	$ 88,324

(1) Rent - cost of services includes other variable lease costs such as Consumer Price Index (CPI) increases and other rent adjustments of $2,745, $964 and $242 for the years ended December 31, 2023, 2022, and 2021, respectively.
(2) Variable lease costs, including property taxes and insurance, are classified in Cost of services in the Company's combined/consolidated statements of income.

Operating lease expense is included in Rent - cost of services and General and administrative expense as indicated above. For finance lease expense, the amortization of right-of-use assets is included in depreciation and amortization while the interest component is included in interest expense.

The following table summarizes supplemental cash flow information related to leases:

	Year Ended December 31, 2023	2022	2021
Operating cash paid for amounts included in the measurement of operating lease liabilities	$ 194,925	$ 143,683	$ 86,717
Operating cash paid for amounts included in the measurement of finance lease liabilities	1,113	546	87
Financing cash paid for amounts included in the measurement of finance lease liabilities	1,708	2,088	300
Operating lease right-of-use assets obtained in exchange for lease liabilities	805,866	99,843	916,823
Financing lease right-of-use assets obtained in exchange for lease liabilities	5,521	—	34,960

Information relating to the lease term and discount rate is as follows:

	Year Ended December 31, 2023	2022	2021
Weighted-average remaining lease term (years)			
Operating leases	13	13	14
Financing leases	3	1	2
Weighted-average discount rate			
Operating leases	5.7 %	5.1 %	5.1 %
Financing leases	7.2 %	1.4 %	1.4 %

(dollars in thousands, except for share and per share values)

In determining the discount rate used to measure the right-of-use asset and lease liability, the Company uses rates implicit in the lease, or if not readily available, the Company will use its incremental borrowing rate. The Company's incremental borrowing rate is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by its assets. Determining a credit spread as secured by the Company's assets may require significant judgment.

Maturities of lease liabilities as of December 31, 2023 were as follows:

	Finance Leases	Operating Leases	Total
2024	$ 3,843	$ 220,272	$ 224,115
2025	23,560	220,997	244,557
2026	2,241	220,331	222,572
2027	17,995	217,976	235,971
2028	782	219,679	220,461
Thereafter	390	1,900,357	1,900,747
Total lease payments	$ 48,811	$ 2,999,612	$ 3,048,423
Less: present value discount	(7,103)	(928,177)	(935,280)
Present value of lease liabilities	$ 41,708	$ 2,071,435	$ 2,113,143

In addition to its lessee activity, the Company generates an immaterial amount of revenue from arrangements where it is a lessor of certain facilities. Revenue from those arrangements is included in other revenue on the combined/consolidated statements of income.

NOTE 12. RETIREMENT PLANS

The Company has two 401(k) defined contribution plans for the benefit of all eligible union and non-union employees. Employees over the age of 21 may begin elective deferrals and become eligible for matching contributions after two months of service. Employer discretionary matching contributions may be up to 25% of the employee's elective deferrals that do not exceed 4% of the employee's compensation. Employees vest in matching contributions over five years in accordance with the vesting schedule set out in the plan documents.

In conjunction with the acquisition of Bay Bridge Capital Partners, LLC (see Note 15), the Company acquired another 401(k) defined contribution plan for the benefit of all eligible employees. Eligible employees may enter the plan immediately upon being hired.

Employees are eligible to receive discretionary matching contributions up to 25% of the employee's elective deferrals that do not exceed $1,060 per participant after completing six months of service. Employees vest in matching contributions over five years in accordance with the vesting schedule set out in the plan document.

On July 19, 2019, the Company adopted a non-qualified deferred compensation plan. The deferred compensation plan allows certain employees to receive supplemental retirement income payments through the deferral of base salary and bonus compensation. Eligible employees may elect to defer receipt of no less than twenty thousand dollars of base salary and bonus compensation for any plan year. Additionally, the Company may elect to make a discretionary matching contribution on behalf of the participant. Participants become fully vested in discretionary matching contributions after five years of continued employment from the date of the applicable matching contribution. Payment of vested balances will occur at future dates, as defined by the plan documents. Deferred compensation plan balances are recorded in other long-term liabilities on the combined/consolidated balance sheets and amounted to $4,379 and $2,047 at December 31, 2023 and 2022, respectively.

NOTE 13. RELATED PARTY TRANSACTIONS

On July 1, 2021, the Company entered into a Consulting and Strategic Advisory Services Agreement with Helios Consulting, LLC (Helios), a limited liability company owned by Jason Murray, the Company's Chief Executive Officer and Chairman of its board of directors, and Mark Hancock, Executive Vice Chairman of its board of directors, (Helios Consulting Agreement) which automatically renewed for successive one-year terms. The Helios Consulting Agreement provides for a cash consulting fee of approximately $4,000 annually, paid in monthly installments, for consulting and strategic advisory services provided to the Company by Helios. For the years ended December 31, 2023, 2022, and 2021, the Company paid approximately $4,000, $4,000, and 2,333 (inclusive of approximately $150 paid to a subsidiary of Helios), respectively. As of December 31, 2023, the Company terminated the Helios Consulting Agreement.

2023 Related Party Transactions

On March 24, 2023, the Company entered into subscription agreements with Mr. Murray and Mr. Hancock, pursuant to which Mr. Murray and Mr. Hancock each purchased 10,000 shares of the Company's common stock for a purchase price of $0.001 per share, in a private placement concurrent with the Company's incorporation in the State of Delaware and in anticipation of effecting the reorganization on June 30, 2023.

NOTE 14. COMMITMENTS AND CONTINGENCIES

Regulatory Matters

Laws and regulations governing Medicare and Medicaid programs are complex and subject to review and interpretation. Compliance with such laws and regulations is evaluated regularly, the results of which can be subject to future governmental review and interpretation, and can include significant regulatory action including fines, penalties, and exclusion from certain governmental programs. Included in these laws and regulations is monitoring performed by the Office of Civil Rights which covers the Health Insurance Portability and Accountability Act of 1996, the terms of which require healthcare providers (among other things) to safeguard the privacy and security of certain patient protected health information.

Litigation

The skilled nursing business involves a significant risk of liability given the age and health of the patients and residents served by the Company's independent operating subsidiaries. The Company, and others in the industry are subject to an increasing number of claims and lawsuits, including professional liability claims, alleging that services provided have resulted in personal injury, elder abuse, wrongful death or other related claims. In addition, the Company, its independent operating subsidiaries, and others in the industry are subject to claims and lawsuits in connection with COVID-19 and a facility's preparation for and/or response to COVID-19. The defense of these lawsuits may result on significant legal costs, regardless of the outcome, and can result in large settlement amounts or damage awards.

Healthcare litigation (including class action litigation) is common and is filed based upon a wide variety of claims and theories. The Company and other companies in its industry are routinely subjected to varying types of claims and suits, including class-actions. Class-action suits have the potential to result in large jury verdicts and settlements, and may result in significant legal costs. The Company expects the plaintiffs' bar to continue to be aggressive in their pursuit of claims. The Company has been subjected to, and is currently involved in, litigation alleging violations of state and federal wage and hour laws as resulting from the alleged failure to pay wages, to timely provide and authorize meal and rest breaks, and related causes of action. While there can be no assurance, based on the Company's evaluation of information currently available, management does not believe that the ultimate resolution of these actions will have a material adverse effect on the Company's business, cash flows, financial condition, or results of operations.

The Company has been, and continues to be, subject to claims and legal actions that arise in the normal course of business, including potential claims filed by patients or others on their behalf related to patient care and treatment (professional negligence claims), as well as employment related claims filed by current or former employees. 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 investigations would have a material adverse effect on the results of operations, financial position or cash flows of the Company, taken as a whole. However, the Company's assessment may evolve based upon further developments in the proceedings at issue. The results of legal proceedings are inherently uncertain, and material adverse outcomes are possible.

Insurance Claims

The Company purchased PLGL claims made insurance policies to cover applicable claims through an unrelated insurer. The PLGL policies are claims-made high deductible self-insured policies whereby the Company is responsible for the first layer of coverage, generally ranging from $250 to $500 per claim, as well as an aggregate one-time deductible generally ranging from $750 to $4,000 per policy, with the unrelated insurer typically covering up to $10,000 in aggregate claims paid per policy year. The Company uses its wholly-owned captive insurance company for the purpose of insuring certain portions of its risk retained under its PLGL programs. Accordingly, the Company is in essence self-insured for claims that are less than policy deductible amounts, claims not covered by such policies, and claims that exceed policy limits. It is the Company's policy to use an actuary to assist management in recording the expense and related liability for PLGL claims, both asserted and unasserted, on an undiscounted basis. Included as part of accrued self-insurance liabilities in the accompanying combined/consolidated balance sheets are PLGL self-insurance liabilities amounting to $162,976, and $138,127 as of December 31, 2023 and 2022, respectively, which includes $34,676 and $42,549, respectively, of estimated obligations that will be covered by the unrelated insurer. PLGL self-insurance liabilities as of December 31, 2023 and 2022 include $43,083 and $38,742, respectively, that were related to unasserted claims. As of December 31, 2023, the Company recorded an asset for the estimated obligations that will be covered by the unrelated insurer amounting to $5,895 and $28,781 within other receivables and other assets, respectively, and as of December 31, 2022, the Company recorded an asset for the estimated obligations that will be covered by the unrelated insurer amounting to $7,233 and $35,316 within other receivables and other assets, respectively, as the claims related to the Company's general and professional liability and the anticipated insurance recoveries are recorded on a gross rather than net basis in accordance with U.S. GAAP.

As part of the Plum acquisition in 2021 (refer to Note 15), the Company assumed Plum's workers' compensation plan. Plum purchased an occurrence-based high deductible self-insured workers' compensation policy whereby the Company is responsible for the first layer of coverage, generally ranging from $250 to $500 per claim. The estimated obligation recorded at December 31, 2023 and 2022 was $8,323, and $17,062, respectively. The Plum facilities were transferred onto the Company's retrospective-rated premium workers' compensation policy as of the acquisition date.

(dollars in thousands, except for share and per share values)

The following table represents activity in the Company’s PLGL self- insurance liabilities as of and for the years ended December 31, 2023 and 2022:

		Amount
Balance January 1, 2022	$	70,491
Current year expense		40,964
Claims paid		(28,914)
Change in obligations covered by unrelated insurer		31,247
Remeasurement of Plum Assumed Liabilities (Note 15)		24,339
Balance December 31, 2022	$	138,127
Current year expense		106,107
Claims paid		(73,385)
Change in obligations covered by unrelated insurer		(7,873)
Balance December 31, 2023	$	162,976

Indemnities

From time to time, the Company enters into certain types of contracts that contingently require it to indemnify parties against third-party claims. These contracts primarily include (i) certain real estate leases, under which the Company may be required to indemnify property owners or prior facility operators for post-transfer environmental or other liabilities and other claims arising from the Company use of the applicable premises, (ii) operations transfer agreements, in which the Company agrees to indemnify past operators of facilities against certain liabilities arising from the transfer of the operation and/or the operation thereof after the transfer to the Company's independent operating subsidiary, (iii) certain lending agreements, under which the Company may be required to indemnify the lender against various claims and liabilities, and (iv) certain agreements with the Company officers, directors and others, under which the Company may be required to indemnify such persons for liabilities arising out of the nature of their relationship to the Company. The terms of such obligations vary by contract and, in most instances, do not expressly state or include a specific or maximum dollar amount. Generally, amounts under these contracts cannot be reasonably estimated until a specific claim is asserted. Consequently, because no claims have been asserted, no liabilities have been recorded for these obligations on the combined/consolidated balance sheets for any of the periods presented.

NOTE 15. OPERATION EXPANSIONS

FASB ASC Topic 805, *Business Combinations* (ASC 805) defines the definition of a business to assist entities with evaluating when a set of transferred assets and activities is deemed to be a business. Determining whether a transferred set constitutes a business is important because the accounting for a business combination differs from that of an asset acquisition. The definition of a business also affects the accounting for dispositions. When substantially all of the fair value of assets acquired is concentrated in a single asset, or a group of similar assets, the assets acquired would not represent a business and business combination accounting would not be required.

2023 Expansions

During the year ended December 31, 2023, the Company’s consolidated operations and real estate portfolio grew through a combination of long-term leases and real estate purchases. The Company acquired operations at 58 stand-alone skilled nursing, assisted living, and subacute facilities and six real estate purchases. Of the six real estate purchases, two of the properties were acquired in conjunction with the operations of the associated facility. For the other four acquired properties, the Company previously operated the respective facilities and has now acquired the real estate associated with those operations. These new operations added 6,744 operational skilled nursing beds. The purpose of any such expansion, may include, without limitation, to expand the scope of the Company's operations, add additional team members with important skill sets, and/or realize synergies.

The aggregate purchase price for these expansions during the year ended December 31, 2023 was $129,174. The fair value of assets for the entities where real estate was acquired were concentrated in property and equipment amounting to $124,874. As such, these transactions were classified as asset acquisitions. The remaining aggregate purchase price for transactions during the year ended December 31, 2023 was concentrated in goodwill and other assets in the amount of $3,800 and $500, respectively. Such transactions were classified as business combinations. The Company expects 100% of the goodwill to be deductible for income tax purposes.

In connection with the new operations made through long-term leases, the Company did not acquire any material assets or assume any liabilities other than the tenant's post-assumption rights and obligations under the long-term lease. The Company entered into separate agreements with the applicable prior operators as part of each transaction.

2022 Expansions

During the year ended December 31, 2022, the Company’s consolidated operations and real estate portfolio grew through a combination of long-term leases and real estate purchases. The Company acquired operations at nine stand-alone skilled nursing, assisted living, and subacute facilities and four real estate purchases. Of the four real estate purchases, two of the properties were acquired in conjunction with the operations of the associated facility. For the other two acquired properties, the Company previously operated the respective facilities and has now acquired the real estate associated with those operations. These new operations added 1,180 operational skilled nursing beds. The purpose of any such expansion, may include, without limitation, to expand the scope of the Company's operations, add additional team members with important skill sets, and/or realize synergies.

The aggregate purchase price for these expansions during the year ended December 31, 2022 was $55,374. The fair value of assets for the entities where real estate was acquired were concentrated in property and equipment and other assets, amounting to $46,500 and $378, respectively. As such, these transactions were classified as asset acquisitions. The remaining aggregate purchase price for transactions during the year ended December 31, 2022 was concentrated in goodwill in the amount of $8,496 and as such, the transactions were classified as business combinations. The Company expects 100% of the goodwill to be deductible for income tax purposes.

In connection with the new operations made through long-term leases, the Company did not acquire any material assets or assume any liabilities other than the tenant's post-assumption rights and obligations under the long-term lease. The Company entered into separate agreements with the applicable prior operators as part of each transaction.

2021 Expansions

Plum Healthcare Group Acquisition

On November 5, 2021, the Company completed the acquisition of all of the equity interest of 58 stand-alone skilled nursing, assisted living, and subacute facilities and eight real estate entities from Bay Bridge Capital Partners, LLC d/b/a Plum Healthcare Group (Plum) for $121,000, consisting of cash of $104,200 and notes due to prior owner of $16,800, in order to grow and expand its footprint. The acquisition added 6,380 operational skilled nursing beds, 40 assisted living beds, and 190 subacute beds.

(dollars in thousands, except for share and per share values)

The table below represents the purchase price allocation to total identifiable assets acquired and net liabilities assumed using the acquisition method, based on their respective fair values as of November 5, 2021.

	Amount
Cash and cash equivalents	$ 7,957
Accounts receivable	94,555
Prepaid and other	43,076
Restricted cash	22,483
Property and equipment	166,072
Operating lease right-of-use assets	612,522
Other assets	5,781
Goodwill and other indefinite-lived assets	32,345
Current operating lease liabilities assumed	(28,324)
Other current liabilities assumed	(134,886)
Long-term operating lease liabilities assumed	(576,848)
Debt and finance lease liabilities assumed	(55,095)
Other liabilities assumed	(68,638)
Total purchase price	$ 121,000

The indefinite-lived intangible assets acquired include the certificates of need and licenses. Fair value of the indefinite-lived intangible assets was determined using a cost approach. The cost approach uses the replacement or reproduction cost as an indicator of fair value. The cost approach utilized assumptions for the current replacement costs of similar assets which for these indefinite-lived intangible assets included assumptions regarding estimated fees on a per unit basis in the applicable jurisdictions.

Fair value of property and equipment was determined using a combination of an income and cost approach. The income approach utilized significant assumptions including management's best estimates of the expected future cash flows and the estimated useful life of the asset group. The cost approach utilized assumptions for the current replacement costs of similar assets adjusted for estimated depreciation and deterioration of the existing property and equipment and economic obsolescence.

Fair value of the right-of-use assets was determined under a market approach. The market approach utilized significant assumptions based on estimated market rent assessments for the acquired lease contracts.

The goodwill is primarily attributed to the workforce acquired. The Company expects 100% of the goodwill to be deductible for income tax purposes.

During the year ended December 31, 2022, the Company recorded a measurement period adjustment primarily related to the finalization of professional liability loss reserves, which increased the amount of goodwill and other liabilities assumed in the Plum acquisition by $18,844. At the time of the adjustment, the measurement period was still open as the Company was gathering further information about facts and circumstances that existed as of the acquisition date related to the legal matters that gave rise to the professional liability loss reserve adjustment.

Other 2021 Expansions

Additionally, the Company invested in two joint ventures during the year ended December 31, 2021. Information related to joint venture activity is disclosed in Note 7.

In June 2021, the Company sold one real estate entity, resulting in a gain on sale of $3,100. In conjunction with the sale, the Company entered into a note receivable agreement with the buyer in the principal amount of $5,000 with monthly interest payments accruing at 6% percent. Annual principal payments are due on each anniversary date, with the remaining principal due and payable on the maturity date of June 1, 2024. At December 31, 2023, the outstanding balance of the note was $3,500 which is included in Other Assets.

(dollars in thousands, except for share and per share values)

During the year ended December 31, 2021, the Company's consolidated operations grew through a combination of long-term leases and real estate purchases, with the addition of 17 stand-alone skilled nursing facilities and five real estate purchases. These new operations added approximately 1,780 operational skilled nursing beds.

The aggregate purchase price for these acquisitions during the year ended December 31, 2021 was $118,324. The fair value of assets for the real estate entities were concentrated in property and equipment amounting to $116,423. As such, these transactions were classified as asset acquisitions. The remaining aggregate purchase price for transactions during the year ended December 31, 2021 was concentrated in goodwill in the amount of $1,901 and as such, the transactions were classified as business combinations. The Company expects 100% of the goodwill to be deductible for tax purposes.

In connection with the new operations acquired for the stand-alone skilled nursing facilities, the Company did not acquire any material assets or assume any liabilities other than the tenant's post-assumption rights and obligations under the long-term lease. The Company entered into agreements with the applicable prior operators as part of each transaction.

The Company's expansion strategy has been focused on identifying both opportunistic and strategic acquisitions within its target markets that offer strong opportunities for return. The operations added by the Company are frequently underperforming financially and can have regulatory and clinical challenges to overcome. Financial information, especially with underperforming operations, is often inadequate, inaccurate or unavailable. Consequently, the Company believes that prior operating results are not a meaningful representation of the Company's current operating results or indicative of the integration potential of its newly acquired operating subsidiaries. The assets added during the year ended December 31, 2023, 2022 and 2021 and through the issuance of the financial statements were not material operations to the Company individually or in the aggregate. Accordingly, pro forma financial information is not presented. The additions have been included in the December 31, 2023 and 2022 combined/consolidated balance sheets of the Company, and the operating results have been included in the combined/consolidated statements of income of the Company since the date the Company gained effective control.

2024 Expansions

Subsequent to December 31, 2023, the Company's operations and real estate portfolio grew through a combination of long-term leases and real estate purchases, with the addition of 10 stand-alone facilities and six real estate purchases. Of the six real estate purchases, three of the properties were acquired in conjunction with the operations of the associated facility. For the other three acquired properties, the Company previously operated the respective facilities and has now acquired the real estate associated with those operations. These new operations added 1,334 skilled nursing beds and 174 assisted living beds operated by the Company's affiliated operating subsidiaries. The aggregate purchase price for these acquisitions was $78,500.

NOTE 16. OTHER ACCRUED EXPENSES

Other accrued expenses consisted of the following:

	December 31,	
	2023	**2022**
Current portion of finance lease liabilities	942	37,895
Amounts due to former Plum shareholders	—	36,586
Other	69,007	52,678
Total other accrued expenses	**$ 69,949**	**$ 127,159**

(dollars in thousands, except for share and per share values)

The amounts due to former Plum shareholders is unchanged in 2023, however the Company has determined that the payment of this amount will most likely be due after 2024 and therefore the amount has been reclassified to other liabilities.

NOTE 17. EARNINGS PER SHARE

Basic net income per share is calculated by dividing net income attributable to the common stockholders by the weighted-average shares of Common Stock outstanding for the period. The computation of diluted net income per share is similar to the computation of basic net income per share, except that the denominator is increased to include the number of additional shares of common stock that would have been outstanding if the dilutive potential shares of common stock had been issued. As the Company did not have any potentially dilutive securities, basic and diluted EPS are the same.

The following table sets forth the computation of the Company's basic and diluted net income attributable per share to common stockholders for the years ended December 31, 2023, 2022, and 2021:

	Years Ended December 31,		
	2023	2022	2021
Basic EPS:			
Numerator:			
Net income	$ 112,882	$ 150,496	$ 47,947
Less: net income attributable to noncontrolling interest	$ 8	$ —	$ —
Net income attributable to PACS Group, Inc.	$ 112,874	$ 150,496	$ 47,947
Denominator:			
Basic and diluted weighted average common stock outstanding	128,723,386	128,723,386	128,723,386
Net income per common share attributable to PACS Group, Inc.			
Basic and diluted	$ 0.88	$ 1.17	$ 0.37

The Reorganization referred to in Note 1 resulted in the common shares outstanding being converted from 600 shares of PGI to 20,000 shares of PACS Group (a 1 to 33.33 conversion ratio).

On March 31, 2024, the Company's board of directors approved a 1 to 6,436.1693 stock split of its issued and outstanding common stock, which was effective by amendment to the Company's charter on April 1, 2024. As part of the amendment, the number of authorized shares of common stock was revised to 1,250,000,000 and the par value of the common stock was not adjusted. All issued and outstanding common stock and per share amounts contained in the combined/consolidated financial statements have been retrospectively adjusted to give effect to the stock split for all periods presented.

NOTE 18. SUBSEQUENT EVENTS

2024 Equity Incentive Plans (unaudited)

On March 31, 2024, the Company's board of directors and stockholders approved the PACS Group, Inc. 2024 Incentive Award Plan (the 2024 Plan), which will become effective on the date immediately preceding the date on which the Company's registration statement will be declared effective by the SEC. The 2024 Plan allows the Company to make equity-based and cash-based incentive awards to its officers, employees, directors and consultants.

The number of shares initially available for issuance under awards granted pursuant to the 2024 Plan (which number includes 15,146,772 shares of common stock issuable upon the exercise of restricted stock unit awards, to be granted in connection with the offering) is equal to 10.25% of the number of shares of our common stock outstanding as of immediately following the completion of this offering (disregarding the shares issuable under the 2024 Plan).

2024 Employee Stock Purchase Plan (unaudited)

On March 31, 2024, the Company's board of directors and stockholders approved the 2024 Employee Stock Purchase Plan (the 2024 ESPP), which will become effective on the date immediately preceding the date on which the Company's registration statement will be declared effective by the SEC. The number of shares initially available for issuance pursuant to the 2024 ESPP will be equal to the number of shares equal to 1% of the number of shares of our common stock outstanding as of immediately following the completion of this offering (disregarding the shares issuable under the 2024 Plan).

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PACS GROUP, INC.

19,050,000 Shares

COMMON STOCK

Citigroup	**J.P. Morgan**	**Truist Securities**

RBC Capital Markets	**Goldman Sachs & Co. LLC**

Stephens Inc.	**KeyBanc Capital Markets**	**Oppenheimer & Co.**	**Regions Securities LLC**

Through and including , 2024 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other expenses of issuance and distribution.

The following table indicates the expenses to be incurred in connection with the offering described in this registration statement, other than the underwriting discounts and commissions, all of which will be paid by us. All amounts are estimated except the Securities and Exchange Commission registration fee, the Financial Industry Regulatory Authority, Inc. (FINRA) filing fee and the New York Stock Exchange listing fee.

	Amount
Securities and Exchange Commission registration fee	$ 71,139
FINRA filing fee	72,795
Initial New York Stock Exchange listing fee	150,000
Accountants' fees and expenses	2,100,000
Legal fees and expenses	2,800,000
Blue Sky fees and expenses	10,000
Transfer Agent's fees and expenses	4,000
Printing and engraving expenses	450,000
Total expenses	$ 5,657,934

Item 14. Indemnification of directors and officers.

Section 102 of the General Corporation Law of the State of Delaware (DGCL) permits a corporation to eliminate the personal liability of directors or officers of a corporation to the corporation or its stockholders for monetary damages for a breach of fiduciary duty as a director or officer, except where the director or officer breached his or her duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, obtained an improper personal benefit, and in the case of a director, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law, and in the case of an officer, a breach of fiduciary duty in any action by or in the right of the corporation. Our Amended and Restated Charter will provide that no director or officer of PACS Group, Inc. shall be personally liable to it or its stockholders for monetary damages for any breach of fiduciary duty as a director or officer, notwithstanding any provision of law imposing such liability, except to the extent that the DGCL prohibits the elimination or limitation of liability of directors or officers for breaches of fiduciary duty.

Section 145 of the DGCL provides that a corporation has the power to indemnify a director, officer, employee, or agent of the corporation, or a person serving at the request of the corporation for another corporation, partnership, joint venture, trust, or other enterprise in related capacities against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by the person in connection with an action, suit, or proceeding to which he or she was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of such position, if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, in any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful, except that, in the case of actions brought by or in the right of the corporation, no indemnification shall be made with respect to any claim, issue, or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or other adjudicating court determines that, despite the adjudication of liability but in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Upon consummation of this offering, our Amended and Restated Charter and Amended and Restated Bylaws will provide indemnification for our directors and officers to the fullest extent permitted by the DGCL, as it now exists or may in the future be amended. We will indemnify each person who was or is a party or threatened to be made a party to any threatened, pending, or completed action, suit or proceeding (other than an action by or in the right of us) by reason of the fact that he or she is or was, or has agreed to become, a director, or officer, or is or was serving, or has agreed to serve, at our request as a director, officer, partner, employee, or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust, or other enterprise (all such persons being referred to as an "Indemnitee"), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred in connection with such action, suit, or proceeding and any appeal therefrom, if such Indemnitee acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, our best interests, and, with respect to any criminal action or proceeding, he or she had no reasonable cause to believe his or her conduct was unlawful. Our Amended and Restated Charter and Amended and Restated Bylaws will provide that we will indemnify any Indemnitee who was or is a party to an action or suit by or in the right of us to procure a judgment in our favor by reason of the fact that the Indemnitee is or was, or has agreed to become, a director or officer, or is or was serving, or has agreed to serve, at our request as a director, officer, partner, employee, or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust, or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees) and, to the extent permitted by law, amounts paid in settlement actually and reasonably incurred in connection with such action, suit, or proceeding, and any appeal therefrom, if the Indemnitee acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, our best interests, except that no indemnification shall be made with respect to any claim, issue, or matter as to which such person shall have been adjudged to be liable to us, unless a court determines that, despite such adjudication but in view of all of the circumstances, he or she is entitled to indemnification of such expenses. Notwithstanding the foregoing, to the extent that any Indemnitee has been successful, on the merits or otherwise, he or she will be indemnified by us against all expenses (including attorneys' fees) actually and reasonably incurred in connection therewith. Expenses must be advanced to an Indemnitee under certain circumstances.

Prior to the consummation of this offering, we intend to enter into separate indemnification agreements with each of our directors and executive officers. Each indemnification agreement will provide, among other things, for indemnification to the fullest extent permitted by law and our Amended and Restated Charter and Amended and Restated Bylaws against any and all expenses, judgments, fines, penalties, and amounts paid in settlement of any claim. The indemnification agreements will provide for the advancement or payment of all expenses to the indemnitee and for the reimbursement to us if it is found that such indemnitee is not entitled to such indemnification under applicable law and our Amended and Restated Charter and Amended and Restated Bylaws.

We maintain a general liability insurance policy that covers certain liabilities of directors and officers of our corporation arising out of claims based on acts or omissions in their capacities as directors or officers.

In any underwriting agreement we enter into in connection with the sale of our common stock being registered hereby, the underwriters will agree to indemnify, under certain conditions, us, our directors, our officers, and persons who control us within the meaning of the Securities Act of 1933, as amended (Securities Act) against certain liabilities arising in connection with such offering.

Item 15. Recent sales of unregistered securities.

Set forth below is information regarding all unregistered securities sold by us since January 1, 2020. Also included is the consideration received by us for such shares and information relating to the section of the Securities Act, or rule of the Securities and Exchange Commission, under which exemption from registration was claimed.

Common Stock Issuances

(1) On March 24, 2023, and in connection with our incorporation in the State of Delaware, we issued and sold an aggregate of 128,723,386 shares of our common stock to Jason Murray and Mark Hancock for an aggregate purchase price of $20.00, or $0.001 per share.

Unless otherwise stated, the issuances of the above were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder, or Rule 701 promulgated under the Securities Act, as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701. Individuals who purchased securities as described above represented their intentions to acquire the securities for investment purposes only and not with a view to, or for sale in connection with, any distribution thereof.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions or any public offering.

Item 16. Exhibits and financial statement schedules.

(a) ***Exhibits***.

The following documents are filed as exhibits to this registration statement.

Exhibit Number	Description of Exhibit
1.1	Form of Underwriting Agreement
3.1*	Certificate of Incorporation of PACS Group, Inc., as currently in effect
3.1.1	Certificate of Amendment No. 1 to the Certificate of Incorporation of PACS Group, Inc., as currently in effect
3.2	Form of Amended and Restated Certificate of Incorporation of PACS Group, Inc., to be in effect upon the consummation of this offering
3.3*	Bylaws of PACS Group, Inc., as currently in effect
3.4	Form of Amended and Restated Bylaws of PACS Group, Inc., to be in effect upon the consummation of this offering
4.1*	Form of Certificate of Common Stock
4.2	Form of Stockholders Agreement
4.3	Form of Registration Rights Agreement
5.1	Opinion of Latham & Watkins LLP
10.1^*	Amended and Restated Credit Agreement, dated as of December 7, 2023, by and among PACSGroup, Inc., PACS Holdings, LLC, Truist Bank and the lenders party thereto
10.2*	Form of Indemnification Agreement between PACS Group, Inc. and its directors and officers
10.3#	PACS Group, Inc. Non-Employee Director Compensation Program
10.4#	PACS Group, Inc. 2024 Incentive Award Plan
10.5#	Form of Stock Option Agreement under PACS Group, Inc. 2024 Incentive Award Plan
10.6#	Form of Restricted Stock Unit Agreement under PACS Group, Inc. 2024 Incentive Award Plan
10.7#	Form of Restricted Stock Unit Agreement (Executive IPO Awards) under PACS Group, Inc. 2024 Incentive Award Plan
10.8#	PACS Group, Inc. 2024 Employee Stock Purchase Plan
10.9#	Providence Administrative Consulting Services, Inc. Nonqualified Deferred Compensation Plan
10.10#*	Employment Offer Letter, dated as of December 19, 2023, by and between PACS Group, Inc. and Derick Apt
10.11#	PACS Group, Inc. Executive Severance Plan
21.1*	List of subsidiaries of PACS Group, Inc.
23.1	Consent of Latham & Watkins LLP (included in Exhibit 5.1)
23.2	Consent of Ernst & Young LLP, independent registered public accounting firm
24.1*	Power of Attorney (included on signature page)
107.1	Registration Fee Table

# Indicates management contract or compensatory plan.
^ Registrant has omitted schedules and exhibits pursuant to Item 601(a)(5) of Regulation S-K. The Registrant agrees to furnish supplementally a copy of the omitted schedules and exhibits to the SEC upon request.
* Previously filed.

(b) ***Financial Statement Schedules***. Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings.

The undersigned registrant hereby undertakes to provide to the underwriters, at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Amendment No. 2 to the Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Farmington, State of Utah, on this 1st day of April, 2024.

PACS GROUP, INC.

By: /s/ Jason Murray
Jason Murray
Chief Executive Officer

POWER OF ATTORNEY

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 2 to the Registration Statement on Form S-1 has been signed by the following persons in the capacities held on the dates indicated.

Signature	Title	Date
/s/ Jason Murray Jason Murray	Director, Co-Founder, Chairman and Chief Executive Officer (*Principal Executive Officer*)	April 1, 2024
/s/ Derick Apt Derick Apt	Chief Financial Officer (*Principal Financial Officer*)	April 1, 2024
/s/ Michelle Lewis Michelle Lewis	Chief Accounting Officer *(Principal Accounting Officer)*	April 1, 2024
* Mark Hancock	Director, Co-Founder and Executive Vice Chairman	April 1, 2024
* Jacqueline Millard	Director	April 1, 2024
* Taylor Leavitt	Director	April 1, 2024

* By: /s/ Derick Apt
Derick Apt
Attorney-in-Fact

Exhibit 107.1

Calculation of Filing Fee Tables

Form S-1
(Form Type)

PACS Group, Inc.
(Exact Name of Registrant as Specified in its Charter)

Table 1: Newly Registered Securities

	Security Type	Security Class Title	Fee Calculation Rule	Amount Registered(1)	Proposed Maximum Offering Price Per Unit(1)	Maximum Aggregate Offering Price(1)	Fee Rate	Amount of Registration Fee
Fees to be Paid	Equity	Common stock, $0.001 par value per share	Rule 457(a)	21,907,500	$22.00	$481,965,000	0.00014760	$71,138.04
Fees Previously Paid	Equity	Common stock, $0.001 par value per share	Rule 457(o)	–	–	$100,000,000(2)	0.00014760	$14,760.00
		Total Offering Amounts				$481,965,000		$71,138.04
		Total Fees Previously Paid						$14,760.00
		Total Fee Offsets						–
		Net Fee Due						$56,378.04

(1) Includes 2,857,500 shares of common stock that the underwriters have the option to purchase.
(2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

PACS Group, Inc.

[●] Shares
Common Stock
($0.001 par value)

Underwriting Agreement

New York, New York
April [●], 2024

Citigroup Global Markets Inc.
J.P. Morgan Securities LLC
Truist Securities, Inc.

As Representatives of the several Underwriters,

c/o Citigroup Global Markets Inc.
388 Greenwich Street
New York, New York 10013

c/o J.P. Morgan Securities LLC
383 Madison Avenue
New York, New York 10179

c/o Truist Securities, Inc.
3333 Peachtree Road NE, 11th Floor
Atlanta, GA 30326

Ladies and Gentlemen:

PACS Group, Inc., a corporation organized under the laws of the State of Delaware (the "Company"), proposes to sell to the several underwriters named in Schedule I hereto (the "Underwriters"), for whom you (the "Representatives") are acting as representatives, **[●]** shares of common stock, $0.001 par value per share ("Common Stock") of the Company (said shares to be issued and sold by the Company being hereinafter called the "Underwritten Securities"). At the option of the Underwriters, certain stockholders of the Company listed in Schedule II hereto (collectively, the "Selling Stockholders") propose to grant, severally and not jointly, subject to the terms and conditions herein, to the Underwriters an option to purchase up to an aggregate of **[●]** additional shares of Common Stock solely to cover over-allotments, if any (the "Option Securities"; the Option Securities, together with the Underwritten Securities, being hereinafter called the "Securities"). To the extent there are no additional Underwriters listed on Schedule I other than you, the term Representatives as used herein shall mean you, as Underwriters, and the terms Representatives and Underwriters shall mean either the singular or plural as the context requires.

As used in this underwriting agreement (this "Agreement"), the "Registration Statement" means the registration statement referred to in paragraph 1(a) hereof, including the exhibits, schedules and financial statements and any prospectus supplement relating to the Securities that is filed with the Securities and Exchange Commission (the "SEC") pursuant to Rule 424(b) under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the "Securities Act") and deemed part of such registration statement pursuant to Rule 430A under the Securities Act ("Rule 430A"), as amended at the date and time that this Agreement is executed and delivered by the parties hereto (the "Execution Time"), and, in the event any post-effective amendment thereto or any registration statement and any amendments thereto filed pursuant to Rule 462(b) under the Securities Act (a "Rule 462(b) Registration Statement") becomes effective prior to the Closing Date (as defined in Section 3 hereof), shall also mean such registration statement as so amended or any Rule 462(b) Registration Statement, as the case may be; the "Effective Date" means each date and time that the Registration Statement, any post-effective amendment or amendments thereto or any Rule 462(b) Registration Statement became or becomes effective; the "Preliminary Prospectus" means any preliminary prospectus referred to in paragraph 1(a) hereof and any preliminary prospectus included in the Registration Statement at the Effective Date that omits information with respect to the Securities and the offering thereof permitted to be omitted from the Registration Statement when it becomes effective pursuant to Rule 430A (the "Rule 430A Information"); and the "Prospectus" means the prospectus relating to the Securities that is first filed pursuant to Rule 424(b) under the Securities Act ("Rule 424(b)") after the Execution Time.

As used in this Agreement, the "Disclosure Package" shall mean (i) the Preliminary Prospectus that is generally distributed to investors and used to offer the Securities, (ii) any issuer free writing prospectus, as defined in Rule 433 under the Securities Act ("Rule 433" and, any such issuer free writing prospectus, an "Issuer Free Writing Prospectus"), identified in Schedule II hereto, (iii) the pricing information set forth in Schedule IV hereto, and (iv) any other free writing prospectus, as defined in Rule 405 under the Securities Act ("Rule 405" and, any such free writing prospectus, a "Free Writing Prospectus"), that the parties hereto shall hereafter expressly agree in writing to treat as part of the Disclosure Package.

1. Representations and Warranties.

(i) The Company represents and warrants to, and agrees with, each Underwriter as set forth below in this Section 1.

(a) The Company has prepared and filed with the SEC a Registration Statement (File No. 333-277893) on Form S-1, including the Preliminary Prospectus, for the registration of the offering and sale of the Securities under the Securities Act. Such Registration Statement, including any amendments thereto filed prior to the Execution Time, has become effective. The Company may have filed one or more amendments thereto, including the Preliminary Prospectus, each of which has previously been furnished to you. The Company will file with the SEC a final Prospectus relating to the Securities in accordance with Rule 424(b) after the Execution Time. As filed, such final Prospectus shall contain all information required by the Securities Act and the rules thereunder and, except to the extent the Representatives shall agree in writing to a modification, shall be in all substantive respects in the form furnished to you prior to the Execution Time or, to the extent not completed at the Execution Time, shall contain only such specific additional information and other changes (beyond that contained in the most recent Preliminary Prospectus) as the Company has advised you, prior to the Execution Time, will be included or made therein.

(b) On the Effective Date, the Registration Statement did, and when the Prospectus is first filed in accordance with Rule 424(b) and on the Closing Date (as defined herein) and on any date on which Option Securities are purchased, if such date is not the Closing Date (a "Settlement Date"), the Prospectus (and any supplement thereto) will, comply in all material respects with the applicable requirements of the Securities Act and the rules thereunder; on the Effective Date, at the Execution Time and on the Closing Date, the Registration Statement did not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading; and on the date of any filing pursuant to Rule 424(b) and on the Closing Date and any settlement date, the Prospectus (together with any supplement thereto) will not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representations or warranties as to the information contained in or omitted from the Registration Statement or the Prospectus (or any supplement thereto) in reliance upon and in conformity with information furnished in writing to the Company by or on behalf of any Underwriter through the Representatives specifically for inclusion in the Registration Statement or the Prospectus (or any supplement thereto), it being understood and agreed that the only such information furnished by or on behalf of any Underwriter consists of the information described as such in Section 8 hereof.

(c) (i) The Disclosure Package and the price to the public, the number of Underwritten Securities and the number of Option Securities to be included on the cover page of the Prospectus, when taken together as a whole, (ii) each electronic road show, when taken together as a whole with the Disclosure Package and the price to the public, the number of Underwritten Securities and the number of Option Securities to be included on the cover page of the Prospectus, and (iii) any individual Written Testing-the-Waters Communication (as defined below), when taken together as a whole with the Disclosure Package and the price to the public, the number of Underwritten Securities and the number of Option Securities to be included on the cover page of the Prospectus, does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The preceding sentence does not apply to statements in or omissions from the Disclosure Package based upon and in conformity with written information furnished to the Company by or on behalf of any Underwriter through the Representatives specifically for use therein, it being understood and agreed that the only such information furnished by or on behalf of any Underwriter consists of the information described as such in Section 8 hereof.

(d) (i) At the time of filing the Registration Statement and (ii) as of the Execution Time (with such date being used as the determination date for purposes of this clause (ii)), the Company was not and is not an Ineligible Issuer (as defined in Rule 405), without taking account of any determination by the SEC pursuant to Rule 405 that it is not necessary that the Company be considered an Ineligible Issuer.

(e) The Company (i) has not alone engaged in any Testing-the-Waters Communication (as defined below) other than Testing-the-Waters Communications with the consent of the Representatives with entities that the Company reasonably believed to be qualified institutional buyers within the meaning of Rule 144A under the Securities Act ("QIBs") or institutions that are accredited investors within the meaning of Rule 501 under the Securities Act ("IAIs") and otherwise in compliance with the requirements of Rule 163B under the Securities Act and (ii) has not authorized anyone other than the Representatives to engage in Testing-the-Waters Communications. "Testing-the-Waters Communication" means any oral or written communication with potential investors undertaken in reliance on Rule 163B under the Securities Act. The Company reconfirms that the Representatives have been authorized to act on its behalf in undertaking Testing-the-Waters Communications. The Company has not distributed any Written Testing-the-Waters Communications (as defined below) other than those listed on Schedule III hereto. "Written Testing-the-Waters Communication" means any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405.

(f) Each Issuer Free Writing Prospectus does not include any information that conflicts with the information contained in the Registration Statement. The foregoing sentence does not apply to statements in or omissions from any Issuer Free Writing Prospectus based upon and in conformity with written information furnished to the Company by or on behalf of any Underwriter through the Representatives specifically for use therein, it being understood and agreed that the only such information furnished by or on behalf of any Underwriter consists of the information described as such in Section 8 hereof.

(g) Each of the Company and its subsidiaries has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction in which it is chartered or organized with full corporate power and authority to own or lease, as the case may be, and to operate its properties and conduct its business as described in the Disclosure Package and the Prospectus, and is duly qualified to do business as a foreign corporation and is in good standing under the laws of each jurisdiction which requires such qualification, except where the failure to qualify or to be in good standing would not result in a Material Adverse Effect (as defined below).

(h) All the outstanding shares of capital stock (including the Option Securities to be sold by the Selling Stockholders) of each subsidiary of the Company have been duly and validly authorized and issued and are fully paid and non-assessable, and, except as otherwise set forth in the Disclosure Package and the Prospectus, all outstanding shares of capital stock of the subsidiaries are owned by the Company either directly or through wholly owned subsidiaries free and clear of any perfected security interest or any other security interests, claims, liens or encumbrances.

(i) There is no franchise, contract or other document of a character required to be described in the Registration Statement or the Prospectus, or to be filed as an exhibit thereto, which is not described or filed as required (and the Preliminary Prospectus contains in all material respects the same description of the foregoing matters contained in the Prospectus); and the statements in the Preliminary Prospectus and the Prospectus under the headings "Material U.S. Federal Income Tax Consequences to Non-U.S. Holders" and "Business —Regulatory Matters" insofar as such statements summarize legal matters, agreements, documents or proceedings discussed therein, present fairly, in all material respects, such legal matters, agreements, documents or proceedings.

(j) This Agreement has been duly authorized, executed and delivered by the Company.

(k) The Company is not and, after giving effect to the offering and sale of the Securities and the application of the proceeds thereof as described in the Disclosure Package and the Prospectus, will not be an "investment company" as defined in the Investment Company Act of 1940, as amended.

(l) No consent, approval, authorization, filing with or order of any court or governmental agency or body is required in connection with the transactions contemplated herein, except such as have been obtained under the Securities Act and such as may be required under the blue sky laws of any jurisdiction in connection with the purchase and distribution of the Securities by the Underwriters in the manner contemplated herein and in the Disclosure Package and the Prospectus.

(m) Neither the issue and sale of the Securities nor the consummation of any other of the transactions herein contemplated nor the fulfillment of the terms hereof will conflict with, result in a breach or violation of, or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to (i) the charter or by-laws of the Company or any of its subsidiaries, (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which the Company or any of its subsidiaries is a party or bound or to which its or their property is subject, or (iii) any statute, law, rule, regulation, judgment, order or decree applicable to the Company or any of its subsidiaries of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over the Company or any of its subsidiaries or any of its or their properties, except in the case of clauses (ii) and (iii) for any such breach, violation or imposition as would not reasonably be expected, singly or in the aggregate, to have a Material Adverse Effect.

(n) No holders of securities of the Company have rights to the registration of such securities under the Registration Statement or resulting from the issuance of the Securities.

(o) The consolidated historical financial statements and schedules of the Company and its consolidated subsidiaries included in the Preliminary Prospectus, the Prospectus and the Registration Statement present fairly, in all material respects, the financial condition, results of operations and cash flows of the Company as of the dates and for the periods indicated, comply as to form, in all material respects, with the applicable accounting requirements of the Securities Act and have been prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved (except as otherwise noted therein). The selected financial data set forth under the caption "Consolidated Financial Statements" in the Preliminary Prospectus, the Prospectus and Registration Statement fairly present, in all material respects, on the basis stated in the Preliminary Prospectus, the Prospectus and the Registration Statement, the information included therein.

(p) No action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries or its or their property is pending or, to the knowledge of the Company, threatened that (i) could reasonably be expected to have a material adverse effect on the performance of this Agreement or the consummation of any of the transactions contemplated hereby or (ii) could reasonably be expected to have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its subsidiaries, individually or taken as a whole, whether or not arising from transactions in the ordinary course of business (a "Material Adverse Effect"), except as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto).

(q) Each of the Company and each of its subsidiaries owns or leases all such properties as are necessary to the conduct of its operations as presently conducted.

(r) The Company and its subsidiaries have good and marketable title in fee simple to all real property owned by any of them and good title to all other properties and assets owned by any of them, in each case, free and clear of all mortgages, pledges, claims, liens, security interests, restrictions or encumbrances of any kind except such as (a) are described in the Disclosure Package and the Prospectus, (b) are not, individually or in the aggregate, material to the Company and its subsidiaries taken as a whole, are not required to be disclosed in the Disclosure Package or the Prospectus, do not, individually or in the aggregate, materially affect the value of such property and do not interfere with the use made of such property by the Company or any of its subsidiaries, or (c) would not, singly or in the aggregate, result in a Material Adverse Effect; and neither the Company nor any of its subsidiaries has received any notice from any federal, state, county or municipal government of plans to exercise any power of eminent domain affecting any real property owned by any of them.

(s) All real property, buildings and other improvements, and all equipment and other property held under lease or sublease by the Company or any of its subsidiaries is held by them under valid, subsisting and enforceable leases or subleases, as the case may be, with, solely in the case of leases or subleases relating to real property, buildings or other improvements, such exceptions as are not material and do not interfere with the use made or proposed to be made of such property and buildings or other improvements by the Company and its subsidiaries, and all such leases and subleases are in full force and effect; and neither the Company nor any of its subsidiaries has received any notice of any claim of any sort that has been asserted by anyone adverse to the rights of the Company or any of its subsidiaries under any of the leases or subleases mentioned above or affecting or questioning the rights of the Company or any of its subsidiaries to the continued possession of the leased or subleased premises or to the continued use of the leased or subleased equipment or other property except for such claims of which, if successfully asserted against the Company or any of its subsidiaries, would not, individually or in the aggregate, result in a Material Adverse Effect.

(t) Neither the Company nor any subsidiary is in violation or default of (i) any provision of its charter or bylaws, (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which it is a party or bound or to which any of its property is subject, or (iii) any statute, law, rule, regulation, judgment, order or decree of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over the Company or such subsidiary or any of its properties, as applicable, except in the case of clauses (ii) and (iii) for any such violation or default as would not reasonably be expected, singly or in the aggregate, to have a Material Adverse Effect.

(u) Ernst & Young LLP, who has certified certain financial statements of the Company and its consolidated subsidiaries and delivered its report with respect to the audited consolidated financial statements and schedules included in the Disclosure Package and the Prospectus, is an independent registered public accounting firm with respect to the Company within the meaning of the Securities Act and the applicable published rules and regulations thereunder.

(v) The Company has filed all tax returns that are required to be filed or has requested extensions thereof (except (i) in any case in which the failure so to file would not have a Material Adverse Effect or (ii) as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto)) and has paid all taxes required to be paid by it and any other assessment, fine or penalty levied against it, to the extent that any of the foregoing is due and payable, except for any such tax, assessment, fine or penalty that (i) is currently being contested in good faith, (ii) would not have a Material Adverse Effect, or (iii) is set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto).

(w) No labor problem or dispute with the employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is threatened or imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or its subsidiaries' principal suppliers, contractors or customers, that would have a Material Adverse Effect, except as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto).

(x) The Company and each of its subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as the Company reasonably believes are prudent and customary in the businesses in which they are engaged; all policies of insurance and fidelity or surety bonds insuring the Company or any of its subsidiaries or their respective businesses, assets, employees, officers and directors are in full force and effect; the Company and its subsidiaries are in compliance with the terms of such policies and instruments in all material respects; and there are no claims by the Company or any of its subsidiaries under any such policy or instrument as to which any insurance company is denying liability or defending under a reservation of rights clause; neither the Company nor any such subsidiary has been refused any insurance coverage sought or applied for; and neither the Company nor any such subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not reasonably be expected to have a Material Adverse Effect, except as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto).

(y) No subsidiary of the Company is currently prohibited, directly or indirectly, under any agreement or other instrument to which it is a party or is subject, from paying any dividends to the Company, from making any other distribution on such subsidiary's capital stock or similar ownership interest, from repaying to the Company any loans or advances to such subsidiary from the Company or from transferring any of such subsidiary's properties or assets to the Company or any other subsidiary of the Company, except as described in or contemplated by the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto).

(z) Except as would not, individually or in the aggregate, have a Material Adverse Effect, the Company and its subsidiaries possess all licenses, sub-licenses, certificates, permits and other authorizations required to be issued by, and have made all declarations and filings with, all applicable federal, state and local governmental authorities or other authorities that are necessary to conduct their respective businesses (collectively, "Permits"). Except as would not, individually or in the aggregate, have a Material Adverse Effect, to the knowledge of the Company, neither the Company nor any such subsidiary is in violation or default of any of the Permits. The Company and its subsidiaries have not received any written notice of actual or potential revocation, suspension and/or modification of any such Permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would be reasonably expected to have a Material Adverse Effect, except as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto). Except as would not, individually or in the aggregate, have a Material Adverse Effect, neither the Company nor any of its subsidiaries has any reason to believe that any such Permit will not be renewed in the ordinary course and all Permits are valid and in full force.

(aa) The Company and each of its subsidiaries, considered together as one entity, maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company and its subsidiaries' internal controls over financial reporting are effective and the Company and its subsidiaries are not aware of any material weakness in their internal controls over financial reporting.

(bb) The Company and its subsidiaries, considered together as one entity, maintain "disclosure controls and procedures" (as such term is defined in Rule 13a-15(e) under the Securities and Exchange Act 1934, as amended, and the rules and regulations promulgated thereunder (the "Exchange Act")); and such disclosure controls and procedures are effective.

(cc) The Company has not taken, directly or indirectly (without giving effect to the activities of the Underwriters), any action designed to or that would constitute or that might reasonably be expected to cause or result in, under the Exchange Act or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(dd) Except where such non-compliance with Environmental Laws, failure to receive required permits, licenses or other approvals, or liability would not, individually or in the aggregate, have a Material Adverse Effect, or except as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto), the Company and its subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants (collectively, "Environmental Laws"), (ii) have received and are in compliance with all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses, (iii) have not received notice of any actual or potential liability under any environmental law and (iv) have not been named as a "potentially responsible party" under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended.

(ee) In the ordinary course of its business, the Company periodically reviews the effect of Environmental Laws on the business, operations and properties of the Company and its subsidiaries, in the course of which it identifies and evaluates associated costs and liabilities (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws, or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties). On the basis of such review, the Company has reasonably concluded that such associated costs and liabilities would not, singly or in the aggregate, have a Material Adverse Effect, except as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto).

(ff) None of the following events has occurred or exists: (i) a material increase in the "accumulated post-retirement benefit obligations" (within the meaning of Statement of Financial Accounting Standards 106) of the Company and its subsidiaries compared to the amount of such obligations in the most recently completed fiscal year of the Company and its subsidiaries; (ii) an audit or investigation by the Internal Revenue Service, the U.S. Department of Labor, or any other federal or state governmental agency or any foreign regulatory agency with respect to the employment or compensation of employees by any of the Company or any of its subsidiaries that could have a Material Adverse Effect; or (iii) any breach of any contractual obligation, or any violation of law or applicable qualification standards, with respect to the employment or compensation of employees by the Company or any of its subsidiaries that could have a Material Adverse Effect.

(gg) None of the following events has occurred or is reasonably likely to occur: (i) an increase in the aggregate amount of contributions required to be made to all Plans in the current fiscal year of the Company and its subsidiaries compared to the amount of such contributions made in the most recently completed fiscal year of the Company and its subsidiaries that could have a Material Adverse Effect; (ii) any event or condition giving rise to a liability under Title IV of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that could have a Material Adverse Effect; or (iii) the filing of a claim by one or more employees or former employees of the Company or any of its subsidiaries related to their employment that could have a Material Adverse Effect. None of the Company, its subsidiaries or any member of their "Controlled Group" (defined as any entity, whether or not incorporated, that is under common control with the Company or its subsidiaries within the meaning of Section 4001(a)(14) of ERISA or any entity that would be regarded as a single employer with the Company or its subsidiaries under Section 414(b),(c),(m) or (o) of the Code) maintains or has ever maintained a Plan. For purposes of this paragraph, the term "Plan" means a plan (within the meaning of Section 3(3) of ERISA) subject to Title IV of ERISA with respect to which the Company or any of its subsidiaries may have any liability.

(hh) There is and has been no failure on the part of the Company and any of the Company's directors or officers, in their capacities as such, to comply with any provision of the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations promulgated in connection thereunder, that are then in effect and with which the Company is required to comply with as of the effectiveness of the Registration Statement.

(ii) Neither the Company, nor any of its subsidiaries, nor its or their respective directors or officers, nor, to the knowledge of the Company, any agent, employee, affiliate or other person acting on behalf of the Company or any of its subsidiaries is aware of or has taken any action, directly or indirectly, that could result in a violation or a sanction for violation by such persons of the Foreign Corrupt Practices Act of 1977 or the U.K. Bribery Act 2010, each as may be amended, or similar law of any other relevant jurisdiction, or the rules or regulations thereunder (collectively, the "Anti-Corruption Laws"); and the Company and its subsidiaries have instituted and maintain policies and procedures designed to ensure compliance therewith. No part of the proceeds of the offering will be used, directly or indirectly, in violation of the Anti-Corruption Laws.

(jj) The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements and the money laundering statutes and the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "Money Laundering Laws") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the best knowledge of the Company, threatened.

(kk) Neither the Company, nor any of its subsidiaries, nor its or their respective directors or officers, nor, to the knowledge of the Company, any agent, employee or affiliate of the Company or any of its subsidiaries (i) is, or is controlled or 50% or more owned in the aggregate by or is acting on behalf of, one or more individuals or entities that are currently the subject of any sanctions administered or enforced by the United States (including any administered or enforced by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State or the Bureau of Industry and Security of the U.S. Department of Commerce), the United Nations Security Council, the European Union, a member state of the European Union (including sanctions administered or enforced by His Majesty's Treasury of the United Kingdom) or other relevant sanctions authority (collectively, "Sanctions" and such persons, "Sanctioned Persons" and each such person, a "Sanctioned Person"), (ii) is located, organized or resident in a country or territory that is, or whose government is, the subject of Sanctions that broadly prohibit dealings with that country or territory, including, without limitation, the Crimea Region of Ukraine, the so-called Donetsk People's Republic, the so-called Luhansk People's Republic, Cuba, Iran, North Korea and Syria (collectively, "Sanctioned Countries" and each, a "Sanctioned Country") or (iii) will, directly or indirectly, use the proceeds of this offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other individual or entity in any manner that would result in a violation of any Sanctions by, or could result in the imposition of Sanctions against, any individual or entity (including any individual or entity participating in the offering, whether as underwriter, advisor, investor or otherwise).

(ll) Neither the Company nor any of its subsidiaries has engaged in any dealings or transactions with or for the benefit of a Sanctioned Person, or with or in a Sanctioned Country, in the preceding 3 years, nor does the Company or any of its subsidiaries have any plans to engage in dealings or transactions with or for the benefit of a Sanctioned Person, or with or in a Sanctioned Country.

(mm) The subsidiaries listed on Exhibit 21.1 to the Registration Statement are the only significant subsidiaries of the Company as defined by Rule 1-02 of Regulation S-X.

(nn) Except as disclosed in the Registration Statement, the Disclosure Package and the Prospectus, the Company (i) does not have any material lending or other relationship with any bank or lending affiliate of any of the Underwriters and (ii) does not intend to use any of the proceeds from the sale of the Securities hereunder to repay any outstanding debt owed to any affiliate of any of the Underwriters.

(oo) No relationship, direct or indirect, exists between or among the Company or any of its subsidiaries, on the one hand, and the directors, officers, stockholders, suppliers or other affiliates of the Company or any of its subsidiaries, on the other, that is required by the Securities Act to be described in each of the Registration Statement and the Prospectus and that is not so described in such documents and in the Disclosure Package.

(pp) Neither the Company nor any of its subsidiaries nor any of its or their properties or assets has any immunity from the jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution or otherwise) under the laws of Delaware.

(qq) No person has the right to require the Company or any of its subsidiaries to register any securities for sale under the Securities Act by reason of the filing of the Registration Statement with the SEC, the issuance and sale of the Securities by the Company or, to the knowledge of the Company, the sale of the Securities to be sold by the Selling Stockholders hereunder.

(rr) To the knowledge of the Company, the statistical and market-related data included in each of the Registration Statement, the Disclosure Package and the Prospectus is based on or derived from sources that are reliable and accurate in all material respects.

(ss) This Agreement conforms in all material respects to the description thereof contained in the Registration Statement, the Disclosure Package and the Prospectus.

(tt) Neither the Company nor any of its subsidiaries is a party to any contract, agreement or understanding with any person (other than this Agreement) that would give rise to a valid claim against any of them or any Underwriter for a brokerage commission, finder's fee or like payment in connection with the offering and sale of the Shares.

(uu) Neither the issuance, sale and delivery of the Securities nor the application of the proceeds thereof by the Company as described in each of the Registration Statement, the Disclosure Package and the Prospectus will violate Regulation T, U or X of the Board of Governors of the Federal Reserve System or any other regulation of such Board of Governors.

(vv) No securities issued or guaranteed by, or loans to, the Company are rated by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 3(a)(62) under the Exchange Act).

(ww) Except as would not reasonably be expected, singly or in the aggregate, to have a Material Adverse Effect, the Company owns, possesses, licenses or has other rights to use, on reasonable terms, all patents, patent applications, trade and service marks, trade and service mark registrations, trade names, copyrights, licenses, inventions, trade secrets, technology, know-how and other intellectual property (collectively, the "Intellectual Property") necessary for the conduct of the Company's business as now conducted or as proposed in the Disclosure Package and Prospectus to be conducted. To the knowledge of the Company, (a) there are no rights of third parties to any such Intellectual Property; (b) there is no material infringement by third parties of any such Intellectual Property; (c) there is no pending or threatened action, suit, proceeding or claim by others challenging the Company's rights in or to any such Intellectual Property, and the Company is unaware of any facts which would form a reasonable basis for any such claim; (d) there is no pending or threatened action, suit, proceeding or claim by others challenging the validity or scope of any such Intellectual Property; (e) there is no pending or threatened action, suit, proceeding or claim by others that the Company infringes or otherwise violates any valid and enforceable patent, trademark, copyright, trade secret or other proprietary rights of others; (f) there is no U.S. patent or published U.S. patent application which contains claims that dominate or may dominate any Intellectual Property described in the Registration Statement, the Disclosure Package and the Prospectus as being owned by or licensed to the Company or that interferes with the issued or pending claims of any such Intellectual Property; and (g) there is no prior art of which the Company is aware that may render any U.S. patent held by the Company invalid or any U.S. patent application held by the Company un-patentable which has not been disclosed to the U.S. Patent and Trademark Office.

(xx) Except as would not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, (i) the Company's information technology assets and equipment, computers, systems, networks, hardware, software, applications, websites, and databases (collectively, "IT Systems") operate and perform in all respects as required in connection with the operation of the business of the Company and its subsidiaries as currently conducted, and to the knowledge of the Company are free and clear of all material bugs, errors, defects, Trojan horses, time bombs, back-doors, malware and other malicious code, and (ii) during the past three (3) years, the Company and its subsidiaries have implemented and maintained commercially reasonable physical, technical and administrative controls, policies, procedures, and safeguards designed to maintain and protect the integrity, continuous operation, redundancy and security of IT Systems, confidential information and Personal Data used in connection with their businesses. "Personal Data" has the same meaning as the term "personal data," "personal information," "protected health information," or the equivalent under applicable Privacy Laws (defined below).

(yy) Except as would not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, during the past three (3) years, (i) there have been no breaches, outages or unauthorized uses of or accesses to IT Systems or the Company's Personal Data or confidential information, and (ii) the Company and its subsidiaries have been in compliance with (a) applicable laws, directives, statutes, judgments and orders binding on the Company and applicable rules and regulations of any court or arbitrator or governmental or regulatory authority (together, "Privacy Laws"), (b) the Company's published or posted Policies (defined below), and (c) contractual obligations, each relating to the privacy and/or security of IT Systems and/or Personal Data and/or to the protection of such IT Systems and/or Personal Data from unauthorized collection, use, access, transfer, storage, disclosure, or other processing (together, "Process" or "Processing") (collectively, the "Data Protection Requirements").

(zz) To ensure compliance with the Data Protection Requirements, the Company and each of its subsidiaries has in place, complies with, and takes all reasonably appropriate steps reasonably designed to ensure compliance in all material respects with their policies and procedures relating to data privacy and security and the Processing of Personal Data (each a "Policy" and, collectively, the "Policies"). Except as would not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, during the past three (3) years, the Company and its subsidiaries have (i) made disclosures to individuals to the extent required by applicable Privacy Laws, and, to the knowledge of the Company, none of such disclosures made or contained in any Policies have been inaccurate or in violation of any applicable Privacy Laws; (ii) secured consents to the extent required under the Privacy Laws to Process any Personal Data; (iii) not received any written communication from any person or data subject alleging a breach of any of the Company or its subsidiaries' obligations under Data Protection Requirements, including any compensation claim and, to the Company's knowledge, there are no facts or circumstances that would give rise to any such claim; and (iv) not received any written request, official notice (including an information notice or enforcement notice) or other written notice of investigation or other action under Privacy Laws from any governmental body or supervisory authority alleging a breach of any of their obligations under Privacy Laws and, to the Company's knowledge, there are no facts or circumstances that would give rise to such an investigation or other action by a supervisory authority. Neither the Company nor any of its subsidiaries are currently conducting or paying for, in whole or in part, any investigation, remediation, or other corrective action pursuant to any Data Protection Requirement and neither the Company nor any of its subsidiaries is a party to any order, decree, or agreement that imposes any obligation or liability by any regulatory body or governmental authority under any Data Protection Requirement.

(aaa) Except as would not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, the Company (collectively with its subsidiaries) currently and at all times: (i) has operated and currently operates its business in compliance with applicable provisions of the Health Care Laws (as defined below); (ii) has not received any written notice of any complaint, claim, action, suit, proceeding, investigation, or other action from any governmental or regulatory authority alleging or asserting non-compliance with any applicable Health Care Laws; (iii) possessed and currently possesses all licenses, certificates, approvals, clearances, exemptions, authorizations and permits required by any such Health Care Laws to conduct its business as currently conducted ("Regulatory Authorizations"), such Regulatory Authorizations are and have been at all times valid and in full force and effect, and the Company (collectively with its subsidiaries) is not in violation of any term or requirement of any such Regulatory Authorization; and (iv) has not received written notice that any applicable regulatory authority has taken or is threatening to revoke, suspend or materially modify or limit any Regulatory Authorizations. The Company (collectively with its subsidiaries) is not currently party to and does not have any current or ongoing reporting obligations pursuant to any corporate integrity agreements, deferred prosecution agreements, monitoring agreements, material consent decrees or similar material agreements, or material settlement orders with or imposed by any Applicable Regulatory Authority with respect to any Health Care Law. During the last three years, neither the Company (collectively with its subsidiaries) nor any of its officers, directors, and shareholders, nor, to the knowledge of the Company, its employees (other than such employees who are officers, directors or shareholders), have been excluded, suspended or debarred from participation in any federal health care program (as defined in 42 USC § 1320a-7b(f)) ("Federal Health Care Program"). Neither the Company (together with its subsidiaries) nor to the knowledge of the Company, its employees, officers, directors, or shareholders have received written notice of a governmental inquiry, investigation, proceeding, or other similar action that could reasonably be expected to result in debarment, suspension, or exclusion of the Company (together with its subsidiaries) from a Federal Health Care Program.

(bbb) Except as would not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, the Company and its subsidiaries (i) are, and at all times have been, in compliance with all applicable material conditions for coverage and material participating provider and supplier requirements of private non-governmental payors or programs, including any private insurance payor or program, self-insured employer, or other third-party payors (“Private Programs”) and all applicable material federal and state reimbursement and other governmental health care programs, including, without limitation, Medicare, Medicaid and any Federal Health Care Program (“Government Programs”), and (ii) are parties to valid participation agreements with Government or Private Programs under which the Company or its subsidiaries directly or indirectly receives payments for medical services provided to such program’s beneficiaries by the Company and its subsidiaries (“Payor Agreements”). Except as would not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, the Company and its subsidiaries are, and have at all times, been in compliance with all terms, conditions, and provisions of such Payor Agreements, and neither the Company nor its Subsidiaries has received written notice of any action that could reasonably be expected to result in the termination or revocation of any Payor Agreement. Except as would not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, neither the Company, nor its subsidiaries, has received any written notice that it has any liability under any Private Program or Government Program for any refund, overpayment, discount or adjustment, excluding ordinary course adjustments that were timely repaid or resolved.

(ccc) The term “Health Care Laws” means any United States federal, state or local law ((including common law), statute, ordinance, code, rule or regulation of any Governmental Authority (“Laws”) related to the provision of health care goods, services or treatment, the billing, reimbursement, administration, and facilities thereof, including, including (a) all Laws related to billing or submission of claims, reimbursement, or health care fraud and abuse and self-referrals, including the federal Anti-Kickback Statute (42 U.S.C. § 1320a-7b(b)), the federal Physician Self-Referral Prohibition (commonly referred to as the “Stark Law”) (42 U.S.C. § 1395nn), the federal False Claims Act (31 U.S.C. § 3729 et seq.), the federal Civil Monetary Penalties Law (42 U.S.C. § 1320a- 7a), the federal Exclusion Laws (42 U.S.C.§ 1320a-7), and the Program Fraud Civil Remedies Act (31 U.S.C. §§ 3801-3812); (b) Section 543 of the Federal Public Health Services Act, 42 U.S.C. § 290dd-2, and its implementing regulations; (c) Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395lll (the Medicare statute); (d) Title XIX of the Social Security Act, 42 U.S.C. §§ 1396-1396w-5 (the Medicaid statute); (e) quality and safety certification and accreditation Laws; (f) any Law relating to the billing, coding, reimbursement or submission of claims or collection of accounts receivable or refund of overpayments; (g) any Law relating to the corporate practice of the learned or licensed healthcare professions; (h) any Laws pertaining to licensing, certification, accreditation, credentialing and supervision of licensed healthcare professionals and any other requirements of Law relating to the provision of health care services and facilities, including standards or professional conduct, (i) any Laws related to the ordering, dispensing, and diversion of controlled substances, including 21 U.S.C. § 801, et seq. (known as the “Controlled Substances Act”) and all other applicable federal and state controlled substances and drug diversion Laws and regulations promulgated thereunder;

and (j) all applicable implementing regulations, rules, ordinances and governmental orders related to any of the foregoing.

Any certificate signed by any officer of the Company and delivered to the Representatives or counsel for the Underwriters in connection with the offering of the Securities shall be deemed a representation and warranty by the Company (and not the individual signor), as to matters covered thereby, to each Underwriter.

(ii) Each Selling Stockholder, severally and not jointly, represents and warrants to, and agrees with, each Underwriter that:

(a) This Agreement has been duly authorized, executed and delivered by or on behalf of such Selling Stockholder.

(b) As of the date hereof and as of the Closing Date, that the sale of the Option Securities by such Selling Stockholder is not and will not be prompted by any material information concerning the Company which is not set forth in the Registration Statement, the Disclosure Package or the Prospectus (together with any supplement thereto).

(c) Such Selling Stockholder is the record and beneficial owner of the Securities to be sold by it hereunder free and clear of all liens, encumbrances, equities and claims and has duly endorsed such Securities in blank, and has full power and authority to sell its interest in the Securities, and, assuming that each Underwriter acquires its interest in the Securities it has purchased from such Selling Stockholder without notice of any adverse claim (within the meaning of Section 8-105 of the New York Uniform Commercial Code ("UCC")), each Underwriter that has purchased such Securities delivered on the Closing Date to The Depository Trust Company or other securities intermediary by making payment therefor as provided herein, and that has had such Securities credited to the securities account or accounts of such Underwriters maintained with The Depository Trust Company or such other securities intermediary will have acquired a security entitlement (within the meaning of Section 8-102(a)(17) of the UCC) to such Securities purchased by such Underwriter, and no action based on an adverse claim (within the meaning of Section 8-105 of the UCC) may be asserted against such Underwriter with respect to such Securities.

(d) Such Selling Stockholder has not taken, directly or indirectly, any action designed to or that would constitute or that might reasonably be expected to cause or result in, under the Exchange Act or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(e) [Reserved].

(f) No consent, approval, authorization or order of any court or governmental agency or body is required for the consummation by such Selling Stockholder of the transactions contemplated herein, except such as may have been obtained under the Act and such as may be required under the blue sky laws of any jurisdiction in connection with the purchase and distribution of the Securities by the Underwriters and such other approvals as have been obtained.

(g) Neither the sale of the Option Securities being sold by such Selling Stockholder nor the consummation of any other of the transactions herein contemplated by such Selling Stockholder or the fulfillment of the terms hereof by such Selling Stockholder will conflict with, result in a breach or violation of, or constitute a default under any law or the terms of any indenture or other agreement or instrument to which such Selling Stockholder is a party or bound, or any judgment, order or decree applicable to such Selling Stockholder of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over such Selling Stockholder.

(h) In respect of any statements in or omissions from the Registration Statement, the Prospectus, any Preliminary Prospectus or any Free Writing Prospectus or any amendment or supplement thereto used by the Company or any Underwriter, as the case may be, made in reliance upon and in conformity with information furnished in writing to the Company by any Selling Stockholder specifically for use in connection with the preparation thereof, such Selling Stockholder hereby makes the same representations and warranties to each Underwriter as the Company makes to such Underwriter under paragraphs (i)(b), (i)(c) and (i)(e) of this Section.

(i) Such Selling Stockholder has no reason to believe that the representations and warranties of the Company contained in this Section 1 are not true and correct, is familiar with the Disclosure Package and Registration Statement and has no knowledge of any material fact, condition or information not disclosed in the Disclosure Package and the Prospectus or any supplement thereto which has adversely affected or may adversely affect the business of the Company or any of its subsidiaries.

(j) Neither such Selling Stockholder nor, to the knowledge of such Selling Stockholder, any agent, affiliate or other person associated with or acting on behalf of such Selling Stockholder or any of its subsidiaries is aware of or has taken any action, directly or indirectly, that could result in a violation or a sanction for violation by such persons of the Anti-Corruption Laws. No part of the proceeds of the offering will be used, directly or indirectly, in violation of the Anti-Corruption Laws.

(k) Each Selling Stockholder has acted at all times in compliance with applicable financial recordkeeping and reporting requirements, including those of the Money Laundering Laws, and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving such Selling Stockholder with respect to the Money Laundering Laws is pending or, to the best knowledge of the Company, threatened.

(l) Neither such Selling Stockholder nor, to the knowledge of such Selling Stockholder, any agent, affiliate or other person associated with or acting on behalf of such Selling Stockholder is currently the subject or the target of any Sanctions, nor is such Selling Stockholder located, organized or resident in a Sanctioned Country; and such Selling Stockholder will not directly or indirectly use the proceeds of the offering of the Securities hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity (i) to fund or facilitate any activities of or business with any person that, at the time of such funding or facilitation, is the subject or target of Sanctions, (ii) to fund or facilitate any activities of or business in any Sanctioned Country or (iii) in any other manner that will result in a violation by any individual or entity (including any individual or entity participating in the offering, whether as underwriter, advisor, investor or otherwise) of Sanctions.

(m) Neither such Selling Stockholder has engaged in any dealings or transactions with or for the benefit of a Sanctioned Person, or with or in a Sanctioned Country, in the preceding 3 years, nor does such Selling Stockholder have any plans to engage in dealings or transactions with or for the benefit of a Sanctioned Person, or with or in a Sanctioned Country.

Any certificate signed by any Selling Stockholder and delivered to the Representatives or counsel for the Underwriters in connection with the offering of the Securities shall be deemed a representation and warranty by such Selling Stockholder, as to matters covered thereby, to each Underwriter.

2. Purchase and Sale.

(a) Subject to the terms and conditions and in reliance upon the representations and warranties herein set forth, the Company agrees to sell to each Underwriter, and each Underwriter agrees, severally and not jointly, to purchase from the Company, at a purchase price of $[●] per share, the amount of the Underwritten Securities set forth opposite such Underwriter's name in Schedule I hereto.

(b) Subject to the terms and conditions and in reliance upon the representations and warranties herein set forth, the Selling Stockholders named in Schedule II hereto hereby grant, severally and not jointly, an option to the several Underwriters to purchase, severally and not jointly, up to [●] Option Securities at the same purchase price per share as the Underwriters shall pay for the Underwritten Securities, less an amount per share equal to any dividends or distributions declared by the Company and payable on the Underwritten Securities but not payable on the Option Securities. Said option may be exercised only to cover over-allotments in the sale of the Underwritten Securities by the Underwriters. Said option may be exercised in whole or in part at any time on or before the 30th day after the date of the Prospectus upon written or telegraphic notice by the Representatives to such Selling Stockholders setting forth the number of shares of the Option Securities as to which the several Underwriters are exercising the option and the settlement date. The maximum aggregate number of Option Securities to be sold by the Selling Stockholders is [●]. The maximum number of Option Securities which each Selling Stockholder agrees to sell is set forth in Schedule II hereto. In the event that the Underwriters exercise less than their full option to purchase Option Securities, the number of Option Securities to be sold by each Selling Stockholder listed on Schedule II shall be, as nearly as practicable, in the same proportion as the maximum number of Option Securities to be sold by each Selling Stockholder and the number of Option Securities to be sold. The number of Option Securities to be purchased by each Underwriter shall be the same percentage of the total number of shares of the Option Securities to be purchased by the several Underwriters as such Underwriter is purchasing of the Underwritten Securities, subject to such adjustments as you in your absolute discretion shall make to eliminate any fractional shares.

3. Delivery and Payment. Delivery of and payment for the Underwritten Securities and the Option Securities (if the option provided for in Section 2(b) hereof shall have been exercised on or before the first Business Day immediately preceding the Closing Date) shall be made at 10:00 AM, New York City time, on April [●], 2024, or at such time on such later date not more than three Business Days after the foregoing date as the Representatives shall designate, which date and time may be postponed by agreement among the Representatives, the Company and the Selling Stockholders or as provided in Section 9 hereof (such date and time of delivery and payment for the Securities being herein called the "Closing Date"). As used herein, "Business Day" shall mean any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions or trust companies are authorized or obligated by law to close in New York City. Delivery of the Securities shall be made to the Representatives for the respective accounts of the several Underwriters against payment by the several Underwriters through the Representatives of the respective aggregate purchase prices of the Securities being sold by the Company and each of the Selling Stockholders to or upon the order of the Company and the Selling Stockholders by wire transfer payable in same-day funds to the accounts specified by the Company and the Selling Stockholders. Delivery of the Underwritten Securities and the Option Securities shall be made through the facilities of The Depository Trust Company unless the Representatives shall otherwise instruct.

Each Selling Stockholder will pay all applicable state transfer taxes, if any, involved in the transfer to the several Underwriters of the Securities to be purchased by them from such Selling Stockholder and the respective Underwriters will pay any additional stock transfer taxes involved in further transfers.

If the option provided for in Section 2(b) hereof is exercised after the third Business Day immediately preceding the Closing Date, the Selling Stockholders named in Schedule II hereto will deliver the Option Securities (at the expense of the Selling Stockholders) to the Representatives, at 388 Greenwich Street, New York, New York, on the date specified by the Representatives (which shall be within three Business Days after exercise of said option) for the respective accounts of the several Underwriters, against payment by the several Underwriters through the Representatives of the purchase price thereof to or upon the order of the Selling Stockholders named in Schedule II by wire transfer payable in same-day funds to the accounts specified by the Selling Stockholders named in Schedule II hereto. If settlement for the Option Securities occurs after the Closing Date, such Selling Stockholders will deliver to the Representatives on the settlement date for the Option Securities, and the obligation of the Underwriters to purchase the Option Securities shall be conditioned upon receipt of, supplemental opinions, certificates and letters confirming as of such date the opinions, certificates and letters delivered on the Closing Date pursuant to Section 6 hereof.

4. Offering by Underwriters. It is understood that the several Underwriters propose to offer the Securities for sale to the public as set forth in the Prospectus.

5. Agreements.

(i) The Company agrees with the several Underwriters that:

(a) Prior to the termination of the offering of the Securities, the Company will not file any amendment of the Registration Statement or supplement to the Prospectus or any Rule 462(b) Registration Statement unless the Company has furnished you a copy for your review prior to filing and will not file any such proposed amendment or supplement to which you reasonably object. The Company will cause the Prospectus, properly completed, and any supplement thereto to be filed in a form approved by the Representatives with the SEC pursuant to the applicable paragraph of Rule 424(b) within the time period prescribed and will provide evidence satisfactory to the Representatives of such timely filing. The Company will promptly advise the Representatives (i) when the Prospectus, and any supplement thereto, shall have been filed (if required) with the SEC pursuant to Rule 424(b) or when any Rule 462(b) Registration Statement shall have been filed with the SEC, (ii) when, prior to termination of the offering of the Securities, any amendment to the Registration Statement shall have been filed or become effective, (iii) of any request by the SEC or its staff for any amendment of the Registration Statement, or any Rule 462(b) Registration Statement, or for any supplement to the Prospectus or for any additional information, (iv) of the issuance by the SEC of any stop order suspending the effectiveness of the Registration Statement or of any notice objecting to its use or the institution or threatening of any proceeding for that purpose and (v) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Securities for sale in any jurisdiction or the institution or threatening of any proceeding for such purpose. The Company will use its best efforts to prevent the issuance of any such stop order or the occurrence of any such suspension or objection to the use of the Registration Statement and, upon such issuance, occurrence or notice of objection, to obtain as soon as possible the withdrawal of such stop order or relief from such occurrence or objection, including, if necessary, by filing an amendment to the Registration Statement or a new registration statement and using its reasonable best efforts to have such amendment or new registration statement declared effective as soon as practicable.

(b) If, at any time prior to the filing of the Prospectus pursuant to Rule 424(b), any event occurs as a result of which the Disclosure Package would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein in the light of the circumstances under which they were made or the circumstances then prevailing not misleading, the Company will (i) notify promptly the Representatives so that any use of the Disclosure Package may cease until it is amended or supplemented; (ii) amend or supplement the Disclosure Package to correct such statement or omission; and (iii) supply any amendment or supplement to you in such quantities as you may reasonably request.

(c) If, at any time when a prospectus relating to the Securities is required to be delivered under the Securities Act (including in circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act ("Rule 172")), any event occurs as a result of which the Prospectus as then supplemented would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein in the light of the circumstances under which they were made or the circumstances then prevailing not misleading, or if it shall be necessary to amend the Registration Statement or supplement the Prospectus to comply with the Securities Act or the rules thereunder, the Company promptly will (i) notify the Representatives of any such event; (ii) prepare and file with the SEC, subject to the second sentence of paragraph (a) of this Section 5, an amendment or supplement which will correct such statement or omission or effect such compliance; and (iii) supply any supplemented Prospectus to you in such quantities as you may reasonably request.

(d) As soon as practicable, the Company will make generally available to its security holders (which may be satisfied by filing with the SEC) and to the Representatives an earnings statement or statements of the Company and its subsidiaries which will satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 under the Securities Act.

(e) The Company will furnish to the Representatives and counsel for the Underwriters, without charge, conformed copies of the Registration Statement (including exhibits thereto) and to each other Underwriter a copy of the Registration Statement (without exhibits thereto) and, so long as delivery of a prospectus by an Underwriter or dealer may be required by the Securities Act (including in circumstances where such requirement may be satisfied pursuant to Rule 172), as many copies of each Preliminary Prospectus, the Prospectus and each Issuer Free Writing Prospectus and any supplement thereto as the Representatives may reasonably request. The Company will pay the expenses of printing or other production of all documents relating to the offering.

(f) The Company will arrange, if necessary, for the qualification of the Securities for sale under the laws of such jurisdictions as the Representatives may reasonably designate and will maintain such qualifications in effect so long as required for the distribution of the Securities; provided that in no event shall the Company be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action that would subject it to service of process in suits, other than those arising out of the offering or sale of the Securities, in any jurisdiction where it is not now so subject.

(g) For a period of 180 days after the date of this Agreement (the "Restricted Period"), the Company will not, without the prior written consent of the Representatives, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company or any affiliate of the Company or any person in privity with the Company or any affiliate of the Company) directly or indirectly, including the submission or filing (or participation in the filing) of a registration statement with the SEC in respect of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Exchange Act, any other shares of Common Stock or any securities convertible into, or exercisable, or exchangeable for, shares of Common Stock; or publicly announce an intention to effect any such transaction, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Common Stock or any such other securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise, other than the Shares to be sold hereunder; provided, however, that the Company may (i) issue, sell and/or acquire Common Stock or securities convertible into or exercisable for shares of Common Stock pursuant to the conversion or exchange of convertible or exchangeable securities or the exercise of warrants or options (including net exercise) or the vesting and/or settlement of a restricted stock or restricted stock unit award (including net settlement) or otherwise to satisfy a tax withholding obligation of the Company in connection with the vesting, settlement or exercise of a compensatory equity-based award, described in the Registration Statement, the Disclosure Package and the Prospectus, (ii) grant or amend any compensatory equity-based awards, and/or issue shares of Common Stock or securities with respect thereto, pursuant to the terms of an equity compensation plan described in the Registration Statement, the Disclosure Package, and the Prospectus, including but not limited to a non-employee director stock compensation plan or program and an employee stock purchase plan, provided that such recipients agree to be bound by the terms of a lock-up agreement with the Underwriters, (iii) facilitate the establishment and amendment of a trading plan on behalf of a stockholder, officer or director of the Company pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of Common Stock, provided that (1) such plan does not provide for the transfer of shares of Common Stock during the Restricted Period and (2) to the extent any public disclosure is made regarding the establishment of such plan, such disclosure shall include a statement to the effect that no transfer of shares of Common Stock may be made under such plan during the Restricted Period, (iv) the issuance of up to 10% of the outstanding shares of Common Stock, or securities convertible into, exercisable for, or which are otherwise exchangeable for, Common Stock, immediately following the Closing Date, in acquisitions, joint ventures or other similar strategic transactions, provided that such recipients enter into a lock-up agreement with the Underwriters, or (v) file any registration statement on Form S-8 relating to securities granted or to be granted pursuant to any plan described in the Registration Statement, the Disclosure Package and the Prospectus or any assumed benefit plan pursuant to an acquisition, joint venture or similar strategic transaction.

(h) If the Representatives in their sole discretion, agree to release or waive the restrictions set forth in a lock-up letter in the form of the Addendum attached hereto for an officer or director of the Company and provides the Company with notice of the impending release or waiver at least three Business Days before the effective date of the release or waiver, the Company agrees to announce the impending release or waiver by a press release substantially in the form of Exhibit B hereto through a major news service at least two Business Days before the effective date of the release or waiver.

(i) The Company will apply the net proceeds from the sale of the Securities as described in each of the Registration Statement, the Disclosure Package and the Prospectus under the heading “Use of Proceeds.”

(j) The Company will not take, directly or indirectly (without giving effect to activities by the Underwriters), any action designed to or that would constitute or that might reasonably be expected to cause or result in, under the Exchange Act or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(k) The Company and the Selling Stockholders (in proportion to the number of Securities being offered by each of them, including any Option Securities which the Underwriters shall have elected to purchase) agree to pay the costs and expenses relating to the following matters: (i) the preparation, printing or reproduction and filing with the SEC of the Registration Statement (including financial statements and exhibits thereto), each Preliminary Prospectus, the Prospectus and each Issuer Free Writing Prospectus, and each amendment or supplement to any of them; (ii) the printing (or reproduction) and delivery (including postage, air freight charges and charges for counting and packaging) of such copies of the Registration Statement, each Preliminary Prospectus, the Prospectus and each Issuer Free Writing Prospectus, and all amendments or supplements to any of them, as may, in each case, be reasonably requested for use in connection with the offering and sale of the Securities; (iii) the preparation, printing, authentication, issuance and delivery of certificates for the Securities, including any stamp or transfer taxes in connection with the original issuance and sale of the Securities to the Underwriters; (iv) the printing (or reproduction) and delivery of this Agreement, any blue sky memorandum and all other agreements or documents printed (or reproduced) and delivered in connection with the offering of the Securities; (v) the registration of the Securities under the Exchange Act and the listing of the Securities on the New York Stock Exchange; (vi) any registration or qualification of the Securities for offer and sale under the securities or blue sky laws of the several states (including filing fees and the reasonable fees and expenses of counsel for the Underwriters relating to such registration and qualification); (vii) any filings required to be made with the Financial Industry Regulatory Authority, Inc. (“FINRA”) (including filing fees and the reasonable fees and expenses of counsel for the Underwriters relating to such filings), provided that the amount payable pursuant to this clause (vii) and clause (vi) above shall not exceed $45,000 in the aggregate; (viii) the transportation and other expenses incurred by or on behalf of Company representatives in connection with presentations to prospective purchasers of the Securities, *provided, however*, that if the Representatives and the Company mutually agree that an aircraft shall be chartered in connection with any road show, the Company shall be responsible for 50% of the costs and expenses of such chartered aircraft and the Underwriters shall be responsible for the remaining 50% of such costs and expenses; (ix) the fees and expenses of the Company's accountants and the fees and expenses of counsel (including local and special counsel) for the Company and the Selling Stockholders; and (x) all other costs and expenses incident to the performance by the Company and the Selling Stockholders of their obligations hereunder.

(l) The Company agrees that, unless it has or shall have obtained the prior written consent of the Representatives, and each Underwriter, severally and not jointly, agrees with the Company that, unless it has or shall have obtained, as the case may be, the prior written consent of the Company, it has not made and will not make any offer relating to the Securities that would constitute an Issuer Free Writing Prospectus or that would otherwise constitute a Free Writing Prospectus required to be filed by the Company with the SEC or retained by the Company under Rule 433; provided that the prior written consent of the parties hereto shall be deemed to have been given in respect of the Free Writing Prospectuses included in Schedule II hereto and any electronic road show. Any such free writing prospectus consented to by the Representatives or the Company is hereinafter referred to as a "Permitted Free Writing Prospectus." The Company agrees that (x) it has treated and will treat, as the case may be, each Permitted Free Writing Prospectus as an Issuer Free Writing Prospectus and (y) it has complied and will comply, as the case may be, with the requirements of Rule 164 under the Securities Act ("Rule 164") and Rule 433 applicable to any Permitted Free Writing Prospectus, including in respect of timely filing with the SEC, legending and record keeping.

(m) If at any time following the distribution of any Written Testing-the-Waters Communication, any event occurs as a result of which such Written Testing-the-Waters Communication would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein in the light of the circumstances under which they were made or the circumstances then prevailing not misleading, the Company will (i) notify promptly the Representatives so that use of the Written Testing-the-Waters Communication may cease until it is amended or supplemented; (ii) amend or supplement the Written Testing-the-Waters Communication to correct such statement or omission; and (iii) supply any amendment or supplement to the Representatives in such quantities as may be reasonably requested.

(ii) Each Selling Stockholder agrees with the several underwriters that:

(a) Such Selling Stockholder will not take, directly or indirectly, any action designed to or that would constitute or that might reasonably be expected to cause or result in, under the Exchange Act or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(b) Such Selling Stockholder will advise the Representatives promptly, and if requested by the Representatives, will confirm such advice in writing, so long as delivery of a prospectus relating to the Securities by an underwriter or dealer may be required under the Securities Act, of (i) any material change in the Company's condition (financial or otherwise), prospects, earnings, business or properties, (ii) any change in information in the Registration Statement, the Prospectus any Preliminary Prospectus or any Free Writing Prospectus or any amendment or supplement thereto relating to such Selling Stockholder or (iii) any new material information relating to the Company or relating to any matter stated in the Prospectus or any Free Writing Prospectus which comes to the attention of such Selling Stockholder.

(c) Such Selling Stockholder will not, directly or indirectly, use the proceeds of this offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person in any manner that will result in a violation of Sanctions by, or could result in the imposition of Sanctions against, any person (including any person participating in the offering, whether as underwriter, advisor, investor or otherwise).

(d) Such Selling Stockholder represents that it has not prepared or had prepared on its behalf or used or referred to, and agrees that it will not prepare or have prepared on its behalf or use or refer to, any Free Writing Prospectus, and has not distributed and will not distribute any written materials in connection with the offer or sale of the Securities.

6. Conditions to the Obligations of the Underwriters. The obligations of the Underwriters to purchase the Underwritten Securities and the Option Securities, as the case may be, shall be subject to the accuracy of the representations and warranties on the part of the Company and the Selling Stockholders contained herein as of the Execution Time, the Closing Date and any settlement date pursuant to Section 3 hereof, to the accuracy of the statements of the Company and the Selling Stockholders made in any certificates pursuant to the provisions hereof, to the performance by the Company and the Selling Stockholders of their obligations hereunder and to the following additional conditions:

(a) The Prospectus, and any supplement thereto, shall have been filed in the manner and within the time period required by Rule 424(b); any material required to be filed by the Company pursuant to Rule 433(d) shall have been filed with the SEC within the applicable time periods prescribed for such filings by Rule 433; and no stop order suspending the effectiveness of the Registration Statement or any notice objecting to its use shall have been issued and no proceedings for that purpose shall have been instituted or threatened.

(b) The Company shall have requested and caused Latham & Watkins LLP, counsel for the Company, to have furnished to the Representatives their opinion letters and negative assurance letter, dated as of the Closing Date and addressed to the Representatives, in form and substance reasonably satisfactory to the Representatives.

(c) The Selling Stockholders shall have requested and caused Latham & Watkins LLP, counsel for the Selling Stockholders, to have furnished to the

Representatives their opinion dated the Closing Date and addressed to the Representatives, in form and substance reasonably satisfactory to the Representatives.

(d) The Representatives shall have received from Goodwin Procter LLP, counsel for the Underwriters, their opinion letter and negative assurance letter, dated as of the Closing Date and addressed to the Representatives, with respect to the issuance and sale of the Securities, the Registration Statement, the Disclosure Package, the Prospectus (together with any supplement thereto) and other related matters as the Representatives may reasonably require, and the Company and each Selling Stockholder shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters.

(e) The Company shall have furnished to the Representatives a certificate of the Company, signed by the Chief Executive Officer and the Chief Financial Officer of the Company, dated as of the Closing Date, to the effect that the signers of such certificate have carefully examined the Registration Statement, the Disclosure Package, the Prospectus and any amendment or supplement thereto, as well as each electronic road show used in connection with the offering of the Securities, and this Agreement and that:

(i) the representations and warranties of the Company in this Agreement are true and correct on and as of the Closing Date with the same effect as if made on the Closing Date and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Date;

(ii) no stop order suspending the effectiveness of the Registration Statement or any notice objecting to its use has been issued and no proceedings for that purpose have been instituted or, to the Company's knowledge, threatened; and

(iii) since the date of the most recent financial statements included in the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto), there has been no material adverse change in the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto).

(f) The Company shall have furnished to the Representatives a certificate of the Company, signed by the Chief Financial Officer of the Company, dated as of the Closing Date, with respect to certain financial information contained in the Registration Statement, the Disclosure Package and the Prospectus in form and substance reasonably satisfactory to the Representatives.

(g) Each Selling Stockholder shall have furnished to the Representatives a certificate, signed by such Selling Stockholder, dated the Closing Date, to the effect that the signer of such certificate have carefully examined the Registration Statement, the Disclosure Package, the Prospectus, any Issuer Free Writing Prospectus and any amendment or supplement thereto and this Agreement and that the representations and warranties of such Selling Stockholder in this Agreement are true and correct in all material respects on and as of the Closing Date to the same effect as if made on the Closing Date.

(h) The Company shall have requested and caused Ernst & Young LLP to have furnished to the Representatives, at the Execution Time and at the Closing Date, letters, dated respectively as of the Execution Time and as of the Closing Date, in form and substance satisfactory to the Representatives, confirming that they are independent accountants within the meaning of the Securities Act and the Exchange Act and the applicable rules and regulations adopted by the SEC thereunder and containing statements and information of the type customarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Disclosure Package and the Prospectus.

(i) Subsequent to the Execution Time or, if earlier, the dates as of which information is given in the Registration Statement (exclusive of any amendment thereof) and the Prospectus (exclusive of supplement thereto), there shall not have been (i) any change or decrease specified in the letter or letters referred to in paragraph (f) of this Section 6 or (ii) any change, or any development involving a prospective change, in or affecting the condition (financial or otherwise), earnings, business or properties of the Company and its subsidiaries taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto) the effect of which, in any case referred to in clause (i) or (ii) above, is, in the sole judgment of the Representatives, so material and adverse as to make it impractical or inadvisable to proceed with the offering or delivery of the Securities as contemplated by the Registration Statement (exclusive of any amendment thereof), the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto).

(j) Prior to the Closing Date, the Company and the Selling Stockholders shall have furnished to the Representatives such further information, certificates and documents as the Representatives may reasonably request.

(k) The Securities shall have been listed and admitted and authorized for trading on the New York Stock Exchange, and satisfactory evidence of such actions shall have been provided to the Representatives.

(l) At the Execution Time, the Company shall have furnished to the Representatives a letter substantially in the form of Exhibit A hereto from each officer and director of the Company addressed to the Representatives.

If any of the conditions specified in this Section 6 shall not have been fulfilled when and as provided in this Agreement, or if any of the opinions and certificates mentioned above or elsewhere in this Agreement shall not be reasonably satisfactory in form and substance to the Representatives and counsel for the Underwriters, this Agreement and all obligations of the Underwriters hereunder may be canceled at, or at any time prior to, the Closing Date by the Representatives. Notice of such cancellation shall be given to the Company and each Selling Stockholder in writing or by telephone or facsimile confirmed in writing.

The documents required to be delivered by this Section 6 shall be delivered at the office of Goodwin Procter LLP, counsel for the Underwriters, at 620 Eighth Avenue, New York, New York 10018, on the Closing Date.

7. Reimbursement of Underwriters' Expenses. If the sale of the Securities provided for herein is not consummated because any condition to the obligations of the Underwriters set forth in Section 6 hereof is not satisfied, because of any termination pursuant to Section 10 hereof or because of any refusal, inability or failure on the part of the Company or any Selling Stockholder to perform any agreement herein or comply with any provision hereof other than by reason of a default by any of the Underwriters, the Company will reimburse the Underwriters severally through Citigroup Global Markets Inc. on demand for all reasonably incurred and documented out of pocket expenses (including reasonable fees and disbursements of counsel) that shall have been incurred by them in connection with the proposed purchase and sale of the Securities; provided that is this Agreement is terminated by the Representatives pursuant to Section 9 hereof, the Company will have no obligation to reimburse any defaulting Underwriter. If the Company is required to make any payments to the Underwriters under this Section 7 because of any Selling Stockholder's refusal, inability or failure to satisfy any condition to the obligations of the Underwriters set forth in Section 6, the Selling Stockholders, pro rata in proportion to the percentage of Securities to be sold by each, shall reimburse the Company on demand for all amounts so paid.

8. Indemnification and Contribution.

(a) The Company agrees to indemnify and hold harmless each Underwriter, the directors, officers, employees, affiliates and agents of each Underwriter and each person who controls any Underwriter within the meaning of either the Securities Act or the Exchange Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Securities Act, the Exchange Act or other U.S. Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement for the registration of the Securities or in any amendment thereof, or in any Preliminary Prospectus, or the Prospectus, or any Issuer Free Writing Prospectus, or any Written Testing-the-Waters Communication, or in any amendment thereof or supplement thereto, or that arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and agrees to reimburse each such indemnified party, as incurred, for any documented out of pocket legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company by or on behalf of any Underwriter through the Representatives specifically for inclusion therein. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

(b) Each Selling Stockholder severally agrees to indemnify and hold harmless the Company, each of its directors, each of its officers who signs the Registration Statement, each Underwriter, the directors, officers, employees, affiliates and agents of each Underwriter and each person who controls the Company or any Underwriter within the meaning of either the Securities Act or the Exchange Act and each other Selling Stockholder, if any, to the same extent as the foregoing indemnity from the Company to each Underwriter, but only with reference to written information furnished to the Company by or on behalf of such Selling Stockholder specifically for inclusion in the documents referred to in the foregoing indemnity. This indemnity agreement will be in addition to any liability which any Selling Stockholder may otherwise have.

(c) Each Underwriter severally and not jointly agrees to indemnify and hold harmless the Company, each of its directors, each of its officers who signs the Registration Statement, and each person who controls the Company within the meaning of either the Securities Act or the Exchange Act and each Selling Stockholder, to the same extent as the foregoing indemnity to each Underwriter, but only with reference to written information relating to such Underwriter furnished to the Company by or on behalf of such Underwriter through the Representatives specifically for inclusion in the documents referred to in the foregoing indemnity. This indemnity agreement will be in addition to any liability which any Underwriter may otherwise have. The Company and each Selling Stockholder acknowledges that the statements set forth (i) in the last paragraph of the cover page regarding delivery of the Securities and, under the heading "Underwriting," (ii) the list of Underwriters and their respective participation in the sale of the Securities, (iii) the sentences related to concessions and reallowances and (iv) the paragraph related to stabilization, syndicate covering transactions and penalty bids in the Preliminary Prospectus and the Prospectus constitute the only information furnished in writing by or on behalf of the several Underwriters for inclusion in the Preliminary Prospectus, the Prospectus or any Issuer Free Writing Prospectus.

(d) Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the commencement thereof; but the failure so to notify the indemnifying party (i) will not relieve it from liability under paragraph (a), (b) or (c) above unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the indemnifying party of substantial rights and defenses and (ii) will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in paragraph (a), (b) or (c) above. The indemnifying party shall be entitled to appoint counsel of the indemnifying party's choice at the indemnifying party's expense to represent the indemnified party in any action for which indemnification is sought (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the indemnified party or parties except as set forth below); provided, however, that such counsel shall be satisfactory to the indemnified party. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) the actual or potential defendants in, or targets of, any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, (iii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. An indemnifying party will not, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(e) In the event that the indemnity provided in paragraph (a), (b), (c) or (d) of this Section 8 is unavailable to or insufficient to hold harmless an indemnified party for any reason, the Company, the Selling Stockholders and the Underwriters agree to contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending the same) (collectively, "Losses") to which the Company, one or more of the Selling Stockholders and one or more of the Underwriters may be subject in such proportion as is appropriate to reflect the relative benefits received by the Company, by the Selling Stockholders and by the Underwriters from the offering of the Securities. If the allocation provided by the immediately preceding sentence is unavailable for any reason, the Company, the Selling Stockholders and the Underwriters shall contribute in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company, of the Selling Stockholders and of the Underwriters in connection with the statements or omissions which resulted in such Losses as well as any other relevant equitable considerations. Benefits received by the Company and by the Selling Stockholders shall be deemed to be equal to the total net proceeds from the offering (before deducting expenses) received by each of them, and benefits received by the Underwriters shall be deemed to be equal to the total underwriting discounts and commissions, in each case as set forth on the cover page of the Prospectus. Benefits received by Stephens Inc. (the "Independent Underwriter") in its capacity as "qualified independent underwriter" shall be deemed to be equal to the compensation received by the Independent Underwriter for acting in such capacity. Relative fault shall be determined by reference to, among other things, whether any untrue or any alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information provided by the Company, the Selling Stockholders on the one hand or the Underwriters on the other, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The Company, the Selling Stockholders and the Underwriters agree that it would not be just and equitable if contribution were determined by pro rata allocation or any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this paragraph (e), in no event shall any Underwriter be required to contribute any amount in excess of the amount by which the total underwriting discounts and commissions received by such Underwriter with respect to the offering of the Securities exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission nor shall the Independent Underwriter in its capacity as "qualified independent underwriter" (within the meaning of FINRA Rule 5121) be responsible for any amount in excess of the compensation received by the Independent Underwriter for acting in such capacity. Notwithstanding the provisions of this paragraph (e), no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 8, each person who controls an Underwriter within the meaning of either the Securities Act or the Exchange Act and each director, officer, employee, affiliate and agent of an Underwriter shall have the same rights to contribution as such Underwriter, and each person who controls the Company within the meaning of either the Securities Act or the Exchange Act, each officer of the Company who shall have signed the Registration Statement and each director of the Company shall have the same rights to contribution as the Company, subject in each case to the applicable terms and conditions of this paragraph (e).

(f) The liability of each Selling Stockholder under such Selling Stockholder's representations and warranties contained in Section 1 hereof and under the indemnity and contribution agreements contained in this Section 8 shall be limited to an amount equal to the initial public offering price per Security multiplied by the number of the Securities sold by such Selling Stockholder to the Underwriters. The Company and the Selling

Stockholders may agree, as among themselves and without limiting the rights of the Underwriters under this Agreement, as to the respective amounts of such liability for which they each shall be responsible.

(g) Without limitation of and in addition to its obligations under the other paragraphs of this Section 8, the Company agrees to indemnify and hold harmless the Independent Underwriter, its directors, officers, employees, affiliates and agents and each person who controls Independent Underwriter within the meaning of either the Securities Act or the Exchange Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject, insofar as such losses, claims, damages or liabilities (or action in respect thereof) arise out of or are based upon Independent Underwriter's acting as a "qualified independent underwriter" (within the meaning of FINRA Rule 5121) in connection with the offering contemplated by this Agreement, and agrees to reimburse each such indemnified party, as incurred, for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability is finally judicially determined to have resulted primarily from the gross negligence or willful misconduct of the Independent Underwriter.

9. Default by an Underwriter. If any one or more Underwriters shall fail to purchase and pay for any of the Securities agreed to be purchased by such Underwriter or Underwriters hereunder and such failure to purchase shall constitute a default in the performance of its or their obligations under this Agreement, the remaining Underwriters shall be obligated severally to take up and pay for (in the respective proportions which the amount of Securities set forth opposite their names in Schedule I hereto bears to the aggregate amount of Securities set forth opposite the names of all the remaining Underwriters) the Securities which the defaulting Underwriter or Underwriters agreed but failed to purchase; provided, however, that in the event that the aggregate amount of Securities which the defaulting Underwriter or Underwriters agreed but failed to purchase shall exceed 10% of the aggregate amount of Securities set forth in Schedule I hereto, the remaining Underwriters shall have the right to purchase all, but shall not be under any obligation to purchase any, of the Securities, and if such non-defaulting Underwriters do not purchase all the Securities, this Agreement will terminate without liability to any non-defaulting Underwriter, the Selling Stockholders or the Company. In the event of a default by any Underwriter as set forth in this Section 9, the Closing Date shall be postponed for such period, not exceeding five Business Days, as the Representatives shall determine in order that the required changes in the Registration Statement and the Prospectus or in any other documents or arrangements may be effected. Nothing contained in this Agreement shall relieve any defaulting Underwriter of its liability, if any, to the Company, the Selling Stockholders and any non-defaulting Underwriter for damages occasioned by its default hereunder.

10. Termination. This Agreement shall be subject to termination in the absolute discretion of the Representatives, by notice given to the Company prior to delivery of and payment for the Securities, if at any time prior to such delivery and payment (i) trading in the Company's Common Stock shall have been suspended by the SEC or the New York Stock

Exchange or trading in securities generally on the New York Stock Exchange shall have been suspended or limited or minimum prices shall have been established on either of such exchanges, (ii) a banking moratorium shall have been declared either by Federal or New York State authorities, (iii) there shall have occurred a material disruption in commercial banking or securities settlement or clearance services or (iv) there shall have occurred any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war, or other calamity or crisis the effect of which on financial markets is such as to make it, in the sole judgment of the Representatives, impractical or inadvisable to proceed with the offering or delivery of the Securities as contemplated by the Preliminary Prospectus or the Prospectus (exclusive of any amendment or supplement thereto).

11. Representations and Indemnities to Survive. The respective agreements, representations, warranties, indemnities and other statements of the Company or its officers or directors, of each Selling Stockholder or its officers or directors and of the Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of any Underwriter, any Selling Stockholder or the Company or any of the officers, directors, employees, agents, affiliates or controlling persons referred to in Section 8 hereof, and will survive delivery of and payment for the Securities. The provisions of Sections 7 and 8 hereof shall survive the termination or cancellation of this Agreement.

12. Notices. All communications hereunder will be in writing and effective only on receipt, and, if sent to the Representatives, will be mailed, delivered or telefaxed to Citigroup Global Markets Inc. at 388 Greenwich Street, New York, New York 10013, Attention: General Counsel, facsimile number: +1 (646) 291-1469; J.P. Morgan Securities LLC at 383 Madison Avenue, New York, New York 10179, Attention: Equity Syndicate Desk, facsimile number: +1 (212) 622-8358; and Truist Securities, Inc. at 3333 Peachtree Road NE, 11th Floor, Atlanta, GA 30326, Attention: Equity Capital Markets, facsimile number: (404) 816-8535; or, if sent to PACS Group, Inc., will be mailed, delivered or emailed to 262 N. University Avenue, Farmington, Utah 84025, Attention: Chief Legal Officer, email address: legal@pacs.com.

13. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers, directors, employees, agents and controlling persons referred to in Section 8 hereof, and no other person will have any right or obligation hereunder.

14. Jurisdiction. The Company agrees that any suit, action or proceeding against the Company brought by any Underwriter, the directors, officers, employees, affiliates and agents of any Underwriter, or by any person who controls any Underwriter, arising out of or based upon this Agreement or the transactions contemplated hereby may be instituted in any State or U.S. federal court in The City of New York and County of New York, and waives any objection which it may now or hereafter have to the laying of venue of any such proceeding, and irrevocably submits to the non-exclusive jurisdiction of such courts in any suit, action or proceeding. The Company hereby appoints its registered agent as registered with the Secretary of State of the State of Delaware as its authorized agent (the "Authorized Agent") upon whom process may be served in any suit, action or proceeding arising out of or based upon this

Agreement or the transactions contemplated herein that may be instituted in any State or U.S. federal court in The City of New York and County of New York, by any Underwriter, the directors, officers, employees, affiliates and agents of any Underwriter, or by any person who controls any Underwriter, and expressly accepts the non-exclusive jurisdiction of any such court in respect of any such suit, action or proceeding. The Company hereby represents and warrants that the Authorized Agent has accepted such appointment and has agreed to act as said agent for service of process, and the Company agrees to take any and all action, including the filing of any and all documents that may be necessary to continue such appointment in full force and effect as aforesaid. Service of process upon the Authorized Agent shall be deemed, in every respect, effective service of process upon the Company. Notwithstanding the foregoing, any action arising out of or based upon this Agreement may be instituted by any Underwriter, the directors, officers, employees, affiliates and agents of any Underwriter, or by any person who controls any Underwriter, in any court of competent jurisdiction in Delaware.

15. Recognition of the U.S. Special Resolution Regimes.

(a) In the event that any Underwriter that is a Covered Entity becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer from such Underwriter of this Agreement, and any interest and obligation in or under this Agreement, will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement, and any such interest and obligation, were governed by the laws of the United States or a state of the United States.

(b) In the event that any Underwriter that is a Covered Entity or a BHC Act Affiliate of such Underwriter becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under this Agreement that may be exercised against such Underwriter are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement were governed by the laws of the United States or a state of the United States.

As used in this Section 15, "BHC Act Affiliate" has the meaning assigned to the term "affiliate" in, and shall be interpreted in accordance with, 12 U.S.C. § 1841(k); "Covered Entity" means any of the following: (i) a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b), (ii) a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b) or (iii) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b); "Default Right" has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable; and "U.S. Special Resolution Regime" means each of (i) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (ii) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

16. No Fiduciary Duty. The Company and the Selling Stockholders hereby acknowledge that (a) the purchase and sale of the Securities pursuant to this Agreement, including without limitation the determination of the public offering price of the Securities and any interaction that the underwriters have with the Company, the Selling Stockholders and/or

their respective representatives or agents in relation thereto, is part of an arm's-length commercial transaction between the Company and the Selling Stockholders, on the one hand, and the Underwriters and any affiliate through which it may be acting, on the other, (b) the Underwriters are acting as principal and not as an agent or fiduciary of the Company or the Selling Stockholders and, with respect to any natural person Selling Stockholder, the interactions engaged in with respect to this Agreement or the transactions contemplated hereby between the Underwriters and any such affiliates, on the one hand, and any such Selling Stockholder and any such representatives or agents, on the other, will not be deemed to form a relationship with such Selling Stockholder that would require any Underwriter to treat the Selling Stockholder as a "retail customer" for purposes of Regulation Best Interest ("Reg BI") pursuant to Rule 15l-1 of the Exchange Act, or a "retail investor" for purposes of Form CRS ("Form CRS") pursuant to Rule 17a-14 of the Exchange Act, (c) the Company's and Selling Stockholders' engagement of the Underwriters in connection with the offering and the process leading up to the offering is as independent contractors and not in any other capacity, (d) the Underwriters have not provided any recommendation or investment advice nor have the Underwriters solicited any action from the Company or any of the Selling Stockholders with respect to the public offering of the Securities, and (e) although the Representatives may be required or choose to provide certain Regulation Best Interest and Form CRS disclosures to the Company or any of the Selling Stockholders in connection with the public offering, the Representatives and the other Underwriters are not making a recommendation to the Company or any of the Selling Stockholders to enter into this Agreement, and nothing set forth in such disclosures is intended to suggest that the Representatives or any Underwriter is making such a recommendation. Furthermore, the Company and the Selling Stockholders agree that they are solely responsible for making their own judgments in connection with the offering and other matters addressed herein or contemplated hereby (irrespective of whether any of the Underwriters has advised or is currently advising the Company or any Selling Stockholder on related or other matters), and have consulted their own legal, accounting, financial, regulatory and tax advisors to the extent deemed appropriate. The Company and the Selling Stockholders agree that they will not claim that the Underwriters have rendered advisory services of any nature or respect, or owe any agency, fiduciary or similar duty to the Company or any of the Selling Stockholders, in connection with such transaction or the process leading thereto. In addition, any natural person Selling Stockholder further acknowledges and agrees that the Underwriters have not made any recommendation to them with respect to their personal circumstances in connection with the offering or such other matters or the process leading thereto and that the Underwriters have not assumed any type of obligation under Reg BI or Form CRS in respect of any natural person Selling Stockholder as a result of entry into this Agreement or the activities contemplated hereby. The Selling Stockholder further acknowledges and agrees that, although the Underwriters may provide the Selling Stockholder with certain Reg BI and Form CRS disclosures or other related documentation in connection with the offering, the Underwriters are not making a recommendation to the Selling Stockholder to participate in the offering or sell any Underwritten Securities at the purchase price set forth in Section 2 above, and nothing set forth in such disclosures or documentation is intended to suggest that any Underwriter is making such a recommendation.

17. Integration. This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Company, the Selling Stockholders and the Underwriters, or any of them, with respect to the subject matter hereof.

18. Applicable Law. This Agreement will be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed within the State of New York.

19. Waiver of Jury Trial. The Company, the Selling Stockholders and the Underwriters hereby irrevocably waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

20. Counterparts. This Agreement may be signed in one or more counterparts, each of which shall constitute an original and all of which together shall constitute one and the same agreement.

21. Headings. The section headings used herein are for convenience only and shall not affect the construction hereof.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this letter and your acceptance shall represent a binding agreement among the Company, the Selling Stockholders and the several Underwriters.

Very truly yours,

PACS GROUP, INC.

By: ______________________________

Name:

Title:

JASON MURRAY

____

MARK HANCOCK

____

The foregoing Agreement is hereby
confirmed and accepted as of the date
first above written.

Citigroup Global Markets Inc.
J.P. Morgan Securities LLC
Truist Securities, Inc.

Citigroup Global Markets Inc.

By: ______________________________
Name:
Title:

J.P. Morgan Securities LLC

By: ______________________________
Name:
Title:

Truist Securities, Inc.

By: ______________________________
Name:
Title:

For themselves and the other several
Underwriters named in Schedule I to
the foregoing Agreement.

SCHEDULE I

Underwriters	Number of Underwritten Securities to be Purchased
Citigroup Global Markets Inc.	[●]
J.P. Morgan Securities LLC	[●]
Truist Securities, Inc.	[●]
RBC Capital Markets, LLC	[●]
Goldman Sachs & Co. LLC	[●]
Stephens Inc.	[●]
KeyBanc Capital Markets Inc.	[●]
Oppenheimer & Co. Inc.	[●]
Regions Securities LLC	[●]
Total	[●]

SCHEDULE II

Selling Stockholders	Maximum Number of Option Securities to be Sold
Jason Murray	[●]
Mark Hancock	[●]
Total	[●]

<u>SCHEDULE III</u>

Schedule of Free Writing Prospectuses included in the Disclosure Package

[None].

SCHEDULE IV

Schedule of Written Testing-the-Waters Communication

Company Presentation dated February 2024 and March 2024.

<u>SCHEDULE V</u>

Pricing Information Provided Orally by Underwriters

Underwritten Securities: [●] shares

Option Securities: [●] shares

Public Offering Price Per Share: $[●]

Form of Lock-Up Agreement

PACS Group, Inc.

Public Offering of Common Stock

[●], 2024

Citigroup Global Markets Inc.
J.P. Morgan Securities LLC
Truist Securities, Inc.

As Representatives of the several Underwriters,

c/o Citigroup Global Markets Inc.
388 Greenwich Street
New York, New York 10013

c/o J.P. Morgan Securities LLC
383 Madison Avenue
New York, New York 10179

c/o Truist Securities, Inc.
3333 Peachtree Road NE, 11th Floor
Atlanta, Georgia 30326

Ladies and Gentlemen:

This letter agreement (this "Letter Agreement") is being delivered to you in connection with the proposed underwriting agreement (the "Underwriting Agreement"), between PACS Group, Inc., a Delaware corporation (the "Company"), and each of you as representatives (the "Representatives") of a group of Underwriters named therein, relating to an underwritten public offering of common stock, $0.001 par value per share (the "Common Stock"), of the Company (the "Offering"). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Underwriting Agreement.

In order to induce you and the other Underwriters to enter into the Underwriting Agreement, the undersigned will not, without the prior written consent of each of the Representatives, directly or indirectly, (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the undersigned or any affiliate of the undersigned or any person in privity with the undersigned or any affiliate of the undersigned), directly or indirectly, including the filing (or participation in the filing) of a registration statement with the U.S. Securities and Exchange Commission (the "Commission") in respect of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations of the Commission promulgated thereunder with respect to, any shares of the Common Stock or any securities convertible into, or exercisable or exchangeable for the Common Stock (collectively with the Common Stock, the "Lock-Up Securities"), (2) enter into any hedging, swap or other agreement or transaction that transfers, in whole or in part, any of the economic consequences of ownership of the Lock-Up Securities, whether to be settled by delivery of the Lock-Up Securities, in cash or otherwise, (3) make any demand for or exercise any right with respect to the registration of any Lock-Up Securities, or (4) publicly announce an intention to effect any of the foregoing transactions, for a period from the date hereof until 180 days after the date of the Underwriting Agreement (the "Restricted Period"). If the undersigned is an officer or director of the Company, the undersigned further agrees that the foregoing restrictions shall be equally applicable to any issuer-directed shares of Common Stock the undersigned may purchase in the Offering.

If the undersigned is an officer or director of the Company, the Representatives agree that, at least three business days before the effective date of any release or waiver of the foregoing restrictions in connection with a transfer of shares of Lock-Up Securities, the Representatives will notify the Company of the impending release or waiver. The Company has agreed in the Underwriting Agreement to announce the impending release or waiver by press release through a major news service at least two business days before the effective date of the release or waiver. Any release or waiver granted by the Representatives hereunder to any such officer or director shall only be effective two business days after the publication date of such press release. The provisions of this paragraph will not apply if (a) the release or waiver is effected solely to permit a transfer not for consideration and (b) the transferee has agreed in writing to be bound by the same terms described in this Letter Agreement to the extent and for the duration that such terms remain in effect at the time of the transfer.

Notwithstanding the foregoing, the undersigned may:

(1) transfer [(or, for the avoidance of doubt, in the case of clause (l) below, pledge or otherwise encumber)][1] the undersigned's Lock-Up Securities:

(a) as a bona fide gift or gifts or charitable contribution, or for bona fide estate planning purposes,

(b) by will, other testamentary document or intestacy,

(c) to any member of the undersigned's immediate family or to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned, or if the undersigned is a trust, to a trustor, trustee or beneficiary of the trust or to the estate of a trustor, trustee or beneficiary of such trust (for purposes of this Letter Agreement,

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[1] Bracketed language to be included with respect to the lock-up agreements for Jason Murray and Mark Hancock.

"immediate family" shall mean any relationship by blood, current or former marriage, domestic partnership or adoption, not more remote than first cousin),

(d) to a partnership, limited liability company or other entity of which the undersigned and the immediate family of the undersigned are the legal and beneficial owner of all of the outstanding equity securities or similar interests,

(e) to a nominee or custodian of a person or entity to whom a disposition or transfer would be permissible under clauses (a) through (d) above,

(f) if the undersigned is a corporation, partnership, limited liability company, trust or other business entity, (A) to another corporation, partnership, limited liability company, trust or other business entity that is an affiliate (as defined in Rule 405 promulgated under the Securities Act) of the undersigned, or to any investment fund or other entity controlling, controlled by, managing or managed by or under common control with the undersigned or affiliates of the undersigned (including, for the avoidance of doubt, where the undersigned is a partnership, to its general partner or a successor partnership or fund, or any other funds managed by such partnership), or (B) as part of a distribution to members or shareholders of the undersigned,

(g) by operation of law, such as pursuant to the rules of descent and distribution or pursuant to a qualified domestic order, divorce settlement, divorce decree, separation agreement or any other court order,

(h) to the Company upon death or disability of the undersigned, or, if the undersigned is an employee of the Company, upon termination of employment,

(i) as part of a sale of the undersigned's Lock-Up Securities acquired in the Offering or acquired in open market transactions after the closing date for the Offering,

(j) to the Company in connection with the vesting, settlement, or exercise of restricted stock units, options, warrants or other rights to purchase shares of Common Stock (including, in each case, by way of "net" or "cashless" exercise), including any transfer to the Company for the payment of exercise price and tax and remittance payments due as a result of the vesting, settlement, or exercise of such restricted stock units, options, warrants or rights, provided that any such shares of Common Stock received upon such exercise, vesting or settlement shall be subject to the terms of this Letter Agreement, and provided further that any such restricted stock units, options, warrants or rights are held by the undersigned pursuant to an agreement or equity awards granted under a stock incentive plan or other equity award plan, each such agreement or plan which is described in the Registration Statement, the Disclosure Package and the Prospectus, [or]

(k) pursuant to a bona fide third-party tender offer, merger, consolidation or other similar transaction that is approved by the Board of Directors of the Company and made to all holders of the Company's capital stock involving a Change of Control (as defined below) of the Company (for purposes hereof, "Change of Control" shall mean the transfer (whether by tender offer, merger, consolidation or other similar transaction), in one transaction or a series of related transactions, to a person or group of affiliated persons, of shares of capital stock if, after such transfer, such person or group of affiliated persons would hold at least a majority of the outstanding voting securities of the Company (or the surviving entity)); provided that in the event that such tender offer, merger, consolidation or other similar transaction is not completed, the undersigned's Lock-Up Securities shall remain subject to the provisions of this Letter Agreement[;][,

(l) pursuant to the grant and maintenance of a bona fide lien, security interest, pledge or other similar encumbrance (each, a "<u>Pledge</u>") of shares of Common Stock owned by the undersigned to one or more nationally or internationally recognized financial institutions each having assets of not less than $10 billion (each, an "<u>Institution</u>") in connection with a loan to the undersigned or pursuant to the exercise of any such Pledge by any such Institution; provided, however, that (i) the undersigned or affiliates of the undersigned (including, for the avoidance of doubt, where the undersigned is a partnership, to its general partner or a successor partnership or fund, or any other funds managed by such partnership) or the Company, as the case may be, shall provide the Representatives with prior written notice informing them of any public filing, report or announcement made by or on behalf of the undersigned or the Company with respect thereto; and (ii) in the case of any transfer or distribution pursuant to a Pledge or any other bona fide loan or pledge pursuant to this clause (l), any transferee that acquires Lock-Up Securities from each such Institution agrees to be bound in writing by the terms of this Lock-Up Agreement prior to such transfer; provided, further that the aggregate number of shares of Common Stock pledged as collateral pursuant to this clause (l) by the undersigned during the Restricted Period shall not exceed seven and a half percent (7.5%) of the total number of shares of Common Stock issued and outstanding on the closing date of the Offering, or

(m) to the Underwriters pursuant to the Underwriting Agreement;]

provided that (i) in the case of any transfer or distribution pursuant to clause (1)(a), (b), (c), (d), (e), (f), and (g) such transfer shall not involve a disposition for value; (ii) in the case of any transfer or distribution pursuant to clause (1)(a), (b), (c), (d), (e), (f), and (g), each donee, devisee, transferee or distributee shall execute and deliver to the Representatives a lock-up letter in the form of this Letter Agreement; (iii) in the case of any transfer or distribution pursuant to clause (1)(d), no filing by any party (donor, donee, devisee, transferor, transferee, distributer or distributee) under the Exchange Act, or other public announcement shall be required or shall be made voluntarily in connection with such transfer or distribution (other than a filing on a Form 5 made after the expiration of the Restricted Period referred to above); and (iv) in the case of any transfer or distribution pursuant to clause (1)(a), (b), (c), (e), (i), (j), (g), [and] (h)[, and (l)] it shall be a condition to such transfer that no public filing, report or announcement shall be voluntarily made and if any filing under Section 16(a) of the Exchange Act, or other public filing, report or announcement reporting a reduction in beneficial ownership of shares of Common Stock in connection with such transfer or distribution shall be legally required during the Restricted Period, such filing, report or announcement shall clearly indicate in the footnotes thereto the nature and conditions of such transfer and, in the case of a transfer pursuant to clause (1)(a), (b), (c), and (e), that the transferee has agreed to be bound by the terms of this letter;

(2) exercise outstanding options, settle restricted stock units or other equity awards or exercise warrants pursuant to plans described in the Registration Statement, the Disclosure Package and the Prospectus; provided that any Lock-Up Securities received upon such exercise, vesting or settlement shall be subject to the terms of this Letter Agreement;

(3) convert convertible securities into shares of Common Stock or warrants to acquire shares of Common Stock; provided that any such shares of Common Stock or warrants received upon such conversion shall be subject to the terms of this Letter Agreement; and

(4) establish or amend trading plans pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of Lock-Up Securities; provided that (a) such plans do not provide for the transfer of Lock-Up Securities during the Restricted Period, (b) any required public disclosure of such plans include a statement regarding the restrictions set forth in this Letter Agreement, and (c) if any filing is made under Section 16(a) of the Exchange Act, such filing shall have the appropriate box checked.

This Letter Agreement and all related restrictions and obligations shall automatically terminate upon the earliest to occur, if any, of (a) the Representatives, on the one hand, or the Company, on the other hand, advising the other in writing prior to the execution of the Underwriting Agreement that the Representatives have or the Company has determined not to proceed with the Offering contemplated by the Underwriting Agreement, (b) the termination of the Underwriting Agreement (other than the provisions thereof which survive termination) before the sale of any shares of Common Stock to the Underwriters, (c) the Registration Statement with respect to the Offering contemplated by the Underwriting Agreement is withdrawn prior to execution of the Underwriting Agreement, or (d) June 30, 2024, in the event that the Underwriting Agreement has not been executed by that date.

In furtherance of the foregoing, the Company, and any duly appointed transfer agent for the registration or transfer of the Lock-Up Securities, are hereby authorized to decline to make any transfer of the Lock-Up Securities if such transfer would constitute a violation or breach of this Letter Agreement.

The undersigned understands that the Underwriters and the Company are entering into the Underwriting Agreement and proceeding with the Offering in reliance upon this Letter Agreement. The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Letter Agreement. All authority herein conferred or agreed to be conferred and any obligations of the undersigned shall be binding upon the successors, assigns, heirs or personal representatives of the undersigned.

The undersigned acknowledges and agrees that the Underwriters have not provided any recommendation or investment advice nor have the Underwriters solicited any action from the undersigned with respect to the Offering of the Common Stock and the undersigned has consulted their own legal, accounting, financial, regulatory and tax advisors to the extent deemed appropriate. The undersigned further acknowledges and agrees that, although the Representatives may be required or choose to provide certain Regulation Best Interest and Form CRS disclosures or other related documentation to you in connection with the Offering, the Representatives and the other Underwriters are not making a recommendation to you to enter into this Letter Agreement, participate in the Offering or sell any Common Stock at the price determined in the Offering, and nothing set forth in such disclosures is intended to suggest that the Representatives or any Underwriter is making such a recommendation.

Whether or not the Offering actually occurs depends on a number of factors, including market conditions. Any Offering will only be made pursuant to an Underwriting Agreement, the terms of which are subject to negotiation between the Company and the Underwriters.

This Letter Agreement and any claim, controversy or dispute arising under or related to this Letter Agreement shall be governed by and construed in accordance with the laws of the State of New York.

This Letter Agreement may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docusign.com or www.echosign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

[*Signature page follows*]

Yours very truly,

____

Name:

Title:

Form of Press Release

PACS Group, Inc.
[●], 2024

PACS Group, Inc. (the "Company") announced today that Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Truist Securities, Inc., the lead book-running managers in the Company's recent public sale of [●] shares of common stock, are [waiving][releasing] a lock-up restriction with respect to [●] shares of the Company's common stock held by [certain officers or directors] [an officer or director] of the Company. The [waiver][release] will take effect on [●], 2024, and the shares may be sold on or after such date.

This press release is not an offer for sale of the securities in the United States or in any other jurisdiction where such offer is prohibited, and such securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended.

Form of Waiver of Lock-up

PACS Group, Inc.
Public Offering of Common Stock

[●], 2024

[*name and address of officer or director requesting waiver***]**

Dear Mr./Ms. **[***insert name***]**:

This letter is being delivered to you in connection with the offering by PACS Group, Inc. (the "Company") of [●] shares of common stock, $0.001 par value (the "Common Stock"), of the Company and the lock-up letter dated [●], 2024 (the "Lock-up Letter"), executed by you in connection with such offering, and your request for a [waiver][release] dated [●], 2024, with respect to [●] shares of Common Stock (the "Shares").

Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Truist Securities, Inc. hereby agree to [waive][release] the transfer restrictions set forth in the Lock-up Letter, but only with respect to the Shares, effective [●], 2024; provided, however, that such [waiver][release] is conditioned on the Company announcing the impending [waiver][release] by press release through a major news service at least two business days before effectiveness of such [waiver][release]. This letter will serve as notice to the Company of the impending [waiver][release].

Except as expressly [waived][released] hereby, the Lock-up Letter shall remain in full force and effect.

Yours very truly,

Citigroup Global Markets Inc.

By: ______________________________
Name:
Title:

J.P. Morgan Securities LLC

By: ______________________________
Name:
Title:

Truist Securities, Inc.

By: ______________________________
Name:
Title:

cc: PACS Group, Inc.

CERTIFICATE OF AMENDMENT NO. 1
TO THE
CERTIFICATE OF INCORPORATION
OF
PACS GROUP, INC.,
a Delaware corporation

PACS Group, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "**Corporation**"), does hereby certify:

FIRST: The name of the Corporation is PACS Group, Inc. The original Certificate of Incorporation of the corporation was filed with the Office of the Secretary of State of the State of Delaware on March 24, 2023.

SECOND: That (a) the board of directors of the Corporation has duly adopted a resolution pursuant to Sections 141 and 242 of the General Corporation Law of the State of Delaware proposing that the Corporation's Certificate of Incorporation the "**Certificate of Incorporation**") be amended as set forth below ("**Amendment No. 1 to the Certificate of Incorporation**") and (b) the stockholders of the Corporation duly approved and adopted Amendment No. 1 to the Certificate of Incorporation by written consent in accordance with Sections 228 and 242 of the General Corporation Law of the State of Delaware.

THIRD: That Article IV of the Certificate of Incorporation of the Corporation is hereby amended to read in its entirety as follows:

"That, effective on the filing of this Certificate of Amendment No. 1 to the Certificate of Incorporation of the Corporation with the Office of the Secretary of State of the State of Delaware (the "**Effective Time**"), each one shares of Common Stock (as defined below) issued and outstanding immediately prior to the Effective Time, shall, automatically and without any further action on the part of any stockholders of the Corporation, be reclassified as 6,436.1693 shares of Common Stock (the "**Stock Split**").

Each stock certificate representing shares of Common Stock immediately prior to the Effective Time shall, from and after the Effective Time, represent that number of shares of Common Stock into which such shares shall have been reclassified pursuant to the Stock Split; provided, however, that each holder of any stock certificate(s) that represented shares of Common Stock immediately prior to the Effective Time shall be entitled to receive one or more certificates (or book entry shares) evidencing and representing the number of shares of Common Stock into which the shares represented by such certificate(s) shall have been reclassified pursuant to the Stock Split.

This Corporation is authorized to issue 1,250,000,000 shares of Common Stock, par value $0.001 per share (" **Common Stock**")."

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment No. 1 to the Certificate of Incorporation to be executed this 1st day of April, 2024, in its name and on its behalf by its Chief Executive Officer pursuant to Section 103 of the General Corporation Law of the State of Delaware.

PACS GROUP, INC.

/s/ Jason Murray

Jason Murray
Chief Executive Officer

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
PACS GROUP, INC.

PACS Group, Inc. (the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware (the "DGCL"), does hereby certify as follows:

1. The name of the Corporation is PACS Group, Inc. The Corporation was incorporated by the filing of its original Certificate of Incorporation with the Secretary of State of the State of Delaware on March 24, 2023.

2. This Amended and Restated Certificate of Incorporation (the "Restated Certificate"), which amends, restates and further integrates the certificate of incorporation of the Corporation as heretofore amended and in effect, has been approved by the Board of Directors of the Corporation (the "Board of Directors") in accordance with Sections 242 and 245 of the DGCL, and has been adopted by the written consent of the stockholders of the Corporation in accordance with Section 228 of the DGCL.

3. The text of the certificate of incorporation of the Corporation, as heretofore amended and in effect, is hereby amended and restated by this Restated Certificate to read in its entirety as set forth in EXHIBIT A attached hereto.

IN WITNESS WHEREOF, PACS Group, Inc. has caused this Restated Certificate to be signed by a duly authorized officer of the Corporation, on [✧], 2024.

PACS Group, Inc.

By: ______________________________

Name: John Mitchell
Title: Secretary

EXHIBIT A

ARTICLE I

The name of the corporation is PACS Group, Inc. (the "Corporation").

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is 251 Little Falls Drive, Wilmington, DE, 19808 County of New Castle, and the name of its registered agent at such address is Corporation Service Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "DGCL") as it now exists or may hereafter be amended and supplemented.

ARTICLE IV

The Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares of capital stock which the Corporation shall have authority to issue is 1,300,000,000. The total number of shares of Common Stock that the Corporation is authorized to issue is 1,250,000,000, having a par value of $0.001 per share, and the total number of shares of Preferred Stock that the Corporation is authorized to issue is 50,000,000, having a par value of $0.001 per share.

ARTICLE V

The designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation are as follows:

A. Common Stock.

1. General. The voting, dividend, liquidation, and other rights and powers of the Common Stock are subject to and qualified by the rights, powers and preferences of any series of Preferred Stock as may be designated by the Board of Directors of the Corporation (the "Board of Directors") and outstanding from time to time.

2. Voting. Except as otherwise provided herein or expressly required by law, each holder of Common Stock, as such, shall be entitled to vote on each matter submitted to a vote of stockholders and shall be entitled to one (1) vote for each share of Common Stock held of record by such holder as of the record date for determining stockholders entitled to vote on such matter. Except as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to this Restated Certificate (including any Certificate of Designation (as defined below)) that relates solely to the rights, powers, preferences (or the qualifications, limitations or restrictions thereof) or other terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together

with the holders of one or more other such series, to vote thereon pursuant to this Restated Certificate (including any Certificate of Designation) or pursuant to the DGCL.

Subject to the rights of any holders of any outstanding series of Preferred Stock, the number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the requisite vote of the holders of the stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the DGCL.

3 . Dividends. Subject to applicable law and the rights and preferences of any holders of any outstanding series of Preferred Stock, the holders of Common Stock, as such, shall be entitled to the payment of dividends on the Common Stock when, as and if declared by the Board of Directors in accordance with applicable law.

4 . Liquidation, Dissolution or Winding Up. Subject to the rights and preferences of any holders of any shares of any outstanding series of Preferred Stock, in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the funds and assets of the Corporation that may be legally distributed to the Corporation's stockholders shall be distributed among the holders of the then outstanding Common Stock pro rata in accordance with the number of shares of Common Stock held by each such holder.

B. Preferred Stock.

Shares of Preferred Stock may be issued from time to time in one or more series, each of such series to have such terms as stated or expressed herein and in the resolution or resolutions providing for the creation and issuance of such series adopted by the Board of Directors as hereinafter provided.

Authority is hereby expressly granted to the Board of Directors from time to time to issue the Preferred Stock in one or more series, and in connection with the creation of any such series, by adopting a resolution or resolutions providing for the issuance of the shares thereof and by filing a certificate of designation relating thereto in accordance with the DGCL (a "Certificate of Designation"), to determine and fix the number of shares of such series and such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, including without limitation thereof, dividend rights, conversion rights, redemption privileges and liquidation preferences, and to increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any series as shall be stated and expressed in such resolutions, all to the fullest extent now or hereafter permitted by the DGCL. Without limiting the generality of the foregoing, the resolution or resolutions providing for the creation and issuance of any series of Preferred Stock may provide that such series shall be superior or rank equally or be junior to any other series of Preferred Stock to the extent permitted by law and this Restated Certificate (including any Certificate of Designation). Except as otherwise required by law, holders of any series of Preferred Stock shall be entitled only to such voting rights, if any, as shall expressly be granted thereto by this Restated Certificate (including any Certificate of Designation).

The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the requisite vote of the holders of the stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the DGCL.

ARTICLE VI

For the management of the business and for the conduct of the affairs of the Corporation it is further provided that:

A. General Powers. Except as otherwise expressly provided by the DGCL or this Restated Certificate, the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

B . Number of Directors; Election of Directors. Subject to the special rights of the holders of one or more outstanding series of Preferred Stock to elect directors, the number of directors which shall constitute the whole Board of Directors shall be fixed exclusively by one or more resolutions adopted from time to time by the Board of Directors.

C . Classes of Directors. Subject to the special rights of the holders of one or more outstanding series of Preferred Stock to elect directors, the directors of the Corporation shall be classified with respect to the time for which they severally hold office into three classes, designated as Class I, Class II and Class III. The initial Class I directors shall serve for a term expiring at the first annual meeting of the stockholders following the initial registration of the Corporation's Common Stock pursuant to the Securities Exchange Act of 1934, as amended; the initial Class II directors shall serve for a term expiring at the second annual meeting of the stockholders following such registration; and the initial Class III directors shall serve for a term expiring at the third annual meeting following such registration. At each annual meeting of stockholders of the Corporation beginning with the first annual meeting of stockholders following the time at which the initial classification of the Board of Directors becomes effective, subject to any special rights of the holders of one or more outstanding series of Preferred Stock to elect directors, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. The Board of Directors is authorized to assign members of the Board of Directors already in office to Class I, Class II and Class III.

D . Designation, Term, and Removal. Subject to Part F of this Article VI, in connection with the election of directors at each applicable annual or special meeting of stockholders of the Corporation at which directors are to be elected (including any election to fill a vacancy or newly created directorship), for so long as the Stockholders Agreement remains in effect, (i) Hancock will have the right, but not the obligation, to designate for inclusion in the slate of nominees for election as directors at such annual or special meeting of stockholders (a) up to two (2) individuals for so long as Hancock owns at least 20% of the aggregate number of shares of Common Stock outstanding as of the date of the Closing Date (subject to any stock split, stock combination, reclassification, recapitalization or like event), or (b) one (1) individual if Hancock owns less than 20% but at least 10% of the aggregate number of shares of Common

Stock outstanding as of the Closing Date (subject to any stock split, stock combination, reclassification, recapitalization or like event), and (ii) Murray will have the right, but not the obligation, to designate for inclusion in the slate of nominees for election as directors at such annual or special meeting of stockholders (a) up to two (2) individuals for so long as Murray owns at least 20% of the aggregate number of shares of Common Stock outstanding as of the Closing Date (subject to any stock split, stock combination, reclassification, recapitalization or like event) or (b) one (1) individual if Murray owns less than 20% but at least 10% of the aggregate number of shares of Common Stock outstanding as of the Closing Date (subject to any stock split, stock combination, reclassification, recapitalization or like event). Each Hancock Designee or Murray Designee designated for inclusion pursuant to this Part D shall be included in the Corporation's slate of nominees for election at the meeting of stockholders for which such Director Designee has been nominated. Subject to the special rights of the holders of one or more outstanding series of Preferred Stock to elect directors, each director shall hold office until his or her successor is duly elected and qualified or until his or her earlier death, resignation, disqualification or removal. No decrease in the number of directors shall shorten the term of any incumbent director. Subject to the special rights of the holders of one or more outstanding series of Preferred Stock to elect directors, the Board of Directors or any individual director may be removed from office at any time either with or without cause by the affirmative vote of the holders of a majority of the voting power of all of the then outstanding shares of voting stock of the Corporation entitled to vote at an election of directors; *provided, however*, that (a) for so long as Hancock has the right to designate the Hancock Designee then serving, such Hancock Designee may be removed without cause only if Hancock shall have consented in writing in advance to the removal without cause of such Hancock Designee; (b) for so long as Murray has the right to designate the Murray Designee then serving, such Murray Designee may be removed without cause only if Murray shall have consented in writing in advance to the removal without cause of such Murray Designee; and (c) from and after the time when Hancock and Murray collectively first cease to beneficially own, in the aggregate, at least a majority of the voting power of all of the then outstanding shares of voting stock of the Corporation, the Board of Directors or any individual director may be removed from office only for cause and only by the affirmative vote of the holders of at least two-thirds of the voting power of all of the then outstanding shares of voting stock of the Corporation entitled to vote at an election of directors.

E . Vacancies and Newly Created Directorships . Subject to the special rights of the holders of one or more outstanding series of Preferred Stock to elect directors, except as otherwise provided by law, any vacancies on the Board of Directors resulting from death, resignation, disqualification, retirement, removal or other causes and any newly created directorships resulting from any increase in the number of directors shall be filled exclusively by the affirmative vote of a majority of the directors then in office, even though less than a quorum, or by a sole remaining director (other than any directors elected by the separate vote of one or more outstanding series of Preferred Stock), and shall not be filled by the stockholders. Notwithstanding the foregoing, for so long as the Stockholder Agreement remains in effect, (i) Hancock shall have the right to fill any vacancy created at any time by the death, removal, or resignation of any Hancock Designee, and the vacancy so created may be filled solely by Hancock, and may not be filled by the Board of Directors or any other person, and (ii) Murray shall have the right to fill any vacancy created at any time by the death, removal, or resignation of any Murray Designee, and the vacancy so created may be filled solely by Murray, and may not be filled by the Board of Directors or any other person. Any director appointed in accordance with the foregoing provisions of this Part E shall hold office until the expiration of the term of the class to which such director shall have been appointed or until his or her earlier death, resignation, retirement, disqualification, or removal.

F. Director Designees. If the nominating and corporate governance committee of the Corporation (or a similar committee serving the nominating function) determines in good faith that a Director Designee (i) is not qualified to serve on the Board of Directors consistent with such committee's duly adopted policies and procedures applicable to all directors or (ii) does not satisfy the applicable requirements of the national securities exchange on which the Corporation's equity securities are listed for trading, regarding service as a director, Hancock or Murray, as applicable, shall have the right to designate a different Director Designee.

G. Preferred Stock Directors. Whenever the holders of any one or more series of Preferred Stock issued by the Corporation shall have the right, voting separately as a series or separately as a class with one or more such other series, to elect directors at an annual or special meeting of stockholders, the election, term of office, removal and other features of such directorships shall be governed by the terms of this Certificate of Incorporation (including any Certificate of Designation). Notwithstanding anything to the contrary in this Article VI, the number of directors that may be elected by the holders of any such series of Preferred Stock shall be in addition to the number fixed pursuant to paragraph B of this Article VI, and the total number of directors constituting the whole Board of Directors shall be automatically adjusted accordingly. Except as otherwise provided in the Certificate of Designation(s) in respect of one or more series of Preferred Stock, whenever the holders of any series of Preferred Stock having such right to elect additional directors are divested of such right pursuant to the provisions of such Certificate of Designation(s), the terms of office of all such additional directors elected by the holders of such series of Preferred Stock, or elected to fill any vacancies resulting from the death, resignation, disqualification or removal of such additional directors, shall forthwith terminate (in which case each such director thereupon shall cease to be qualified as, and shall cease to be, a director) and the total authorized number of directors of the Corporation shall automatically be reduced accordingly.

H. Vote by Ballot. The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

I. Definitions. For purposes of this Article VI and Article VII, references to:

"beneficially own" shall have the meaning ascribed thereto in the Stockholders Agreement.

"Closing Date" means the closing of the Company's initial public offering.

"Director Designee(s)" shall have the meaning ascribed thereto in the Stockholders Agreement.

“Hancock” shall have the meaning ascribed thereto in the Stockholders Agreement.

“Hancock Designee” shall have the meaning ascribed thereto in the Stockholders Agreement.

“Murray” shall have the meaning ascribed thereto in the Stockholders Agreement.

“Murray Designee” shall have the meaning ascribed thereto in the Stockholders Agreement.

“Stockholders Agreement” shall mean the Stockholders Agreement, dated as of April [-], 2024, by and among the Corporation, Hancock and Murray (as the same may be amended, restated, supplemented, and/or otherwise modified from time to time in accordance with its terms).

ARTICLE VII

A . Consent of Stockholders In Lieu of Meeting. At any time when Hancock and Murray collectively beneficially own, in the aggregate, at least a majority of the voting power of all of the then outstanding shares of voting stock of the Corporation, any action required or permitted to be taken by the stockholders of the Corporation may be taken without a meeting, without prior notice and without a vote, if a consent or consents, setting forth the action so taken, are (1) signed by the holders of outstanding shares of the relevant class(es) or series of stock of the Corporation representing not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of stock of the Corporation then issued and outstanding (other than treasury stock) entitled to vote thereon were present and voted, and (2) delivered to the Corporation in accordance with applicable law. At any time when Hancock and Murray collectively beneficially own, in the aggregate, less a majority of the voting power of all of the then outstanding shares of voting stock of the Corporation, any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of the stockholders of the Corporation, and shall not be taken by written consent in lieu of a meeting. Notwithstanding the foregoing, to the extent expressly permitted by the certificate of designation relating to one or more series of Preferred Stock, any action required or permitted to be taken by the holders of such series of Preferred Stock, voting separately as a series or separately as a class with one or more other such series, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, are (1) signed by the holders of outstanding shares of the relevant class or series having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and (2) delivered to the Corporation in accordance with applicable law.

B . Special Meetings of Stockholders. Subject to the special rights of the holders of one or more series of Preferred Stock, special meetings of the stockholders of the Corporation may be called, for any purpose or purposes, at any time only by or at the direction of the Board of Directors, the Chairperson of the Board of Directors, the Chief Executive Officer or the Executive Vice Chairman, and shall not be called by any other person or persons.

C . Stockholder Nominations and Introduction of Business, Etc. Advance notice of stockholder nominations for the election of directors and of other business proposed to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws of the Corporation.

ARTICLE VIII

No director or officer of the Corporation shall have any personal liability to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director or officer, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL as the same exists or hereafter may be amended. Any amendment, repeal or modification of this Article VIII, or the adoption of any provision of the Restated Certificate inconsistent with this Article VIII, shall not adversely affect any right or protection of a director or officer of the Corporation with respect to any act or omission occurring prior to such amendment, repeal, modification or adoption. If the DGCL is amended after approval by the stockholders of this Article VIII to authorize corporate action further eliminating or limiting the personal liability of directors or officers, then the liability of a director or officer of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL as so amended. All references in this Article VIII to a director shall also be deemed to refer to such other person or persons, if any, who, pursuant to a provision of this Restated Certificate in accordance with Section 141(a) of the DGCL exercise or perform any of the powers or duties otherwise conferred or imposed upon the board of directors by the DGCL.

ARTICLE IX

The Corporation shall have the power to provide rights to indemnification and advancement of expenses to its current and former officers, directors, employees and agents and to any person who is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise.

ARTICLE X

Unless the Corporation consents in writing to the selection of an alternative forum, (a) the Court of Chancery (the "Chancery Court") of the State of Delaware (or, in the event that the Chancery Court does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action, suit or proceeding brought on behalf of the Corporation, (ii) any action, suit or proceeding asserting a claim of breach of a fiduciary duty owed by any director, officer or stockholder of the Corporation to the Corporation or to the Corporation's stockholders, (iii) any action, suit or proceeding arising pursuant to any provision of the DGCL or the bylaws of the Corporation or this Restated Certificate (as either may be amended from time to time) or (iv) any action, suit or proceeding asserting a claim against the Corporation governed by the internal affairs doctrine; and (b) subject to the preceding provisions of this Article X, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause or causes of action arising under the

Securities Act of 1933, as amended, including all causes of action asserted against any defendant to such complaint.

Any person or entity purchasing or otherwise acquiring any interest in any security of the Corporation shall be deemed to have notice of and consented to this Article X. This Article X is intended to benefit and may be enforced by the Corporation, its officers and directors, the underwriters to any offering giving rise to such complaint, and any other professional or entity whose profession gives authority to a statement made by that person or entity and who has prepared or certified any part of the documents underlying the offering. Notwithstanding the foregoing, the provisions of this Article X shall not apply to suits brought to enforce any liability or duty created by the Securities Exchange Act of 1934, as amended, or any other claim for which the federal courts of the United States have exclusive jurisdiction.

If any provision or provisions of this Article X shall be held to be invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever, (a) the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Article X (including, without limitation, each portion of any paragraph of this Article X containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and (b) the application of such provision to other persons or entities and circumstances shall not in any way be affected or impaired thereby.

ARTICLE XI

A . Amendment of the Restated Certificate. Notwithstanding anything contained in this Restated Certificate to the contrary, in addition to any vote required by applicable law, the following provisions in this Restated Certificate may be amended, altered, repealed or rescinded, in whole or in part, or any provision inconsistent therewith or herewith may be adopted, only by the affirmative vote of the holders of at least 66 2/3% of the total voting power of all the then outstanding shares of stock of the Corporation entitled to vote thereon, voting together as a single class: Part B of Article V, Article VI, Article VII, Article VIII, Article IX, Article X, and this Article XI.

B. Amendment of Bylaws. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to adopt, amend or repeal Bylaws of the Corporation. In addition to any vote of the holders of any class or series of stock of the Corporation required by applicable law or by this Certificate of Incorporation (including any Certificate of Designation in respect of one or more series of Preferred Stock) or the Bylaws of the Corporation, the adoption, amendment or repeal of the Bylaws of the Corporation by the stockholders of the Corporation shall require the affirmative vote of the holders of at least two-thirds of the voting power of all of the then outstanding shares of voting stock of the Corporation entitled to vote generally in an election of directors.

C . Severability. If any provision or provisions of this Restated Certificate shall be held to be invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever: (i) the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Restated Certificate (including, without limitation, each portion of any paragraph of this Restated Certificate containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not, to the fullest extent permitted by applicable law, in any way be affected or impaired thereby and (ii) to the fullest extent permitted by applicable law, the provisions of this Restated Certificate (including, without limitation, each such portion of any paragraph of this Restated Certificate containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to permit the Corporation to protect its directors, officers, employees and agents from personal liability in respect of their good faith service to or for the benefit of the Corporation to the fullest extent permitted by law.

Amended and Restated Bylaws of

PACS Group, Inc.

(a Delaware corporation)

as of [●], 2024

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Amended and Restated Bylaws of
PACS Group, Inc.

Article I - Corporate Offices

1.1 Registered Office.

The address of the registered office of PACS Group, Inc. (the "Corporation") in the State of Delaware, and the name of its registered agent at such address, shall be as set forth in the Corporation's certificate of incorporation, as the same may be amended and/or restated from time to time (the "Certificate of Incorporation").

1.2 Other Offices.

The Corporation may have additional offices at any place or places, within or outside the State of Delaware, as the Corporation's board of directors (the "Board") may from time to time establish or as the business of the Corporation may require.

Article II - Meetings of Stockholders

2.1 Place of Meetings.

Meetings of stockholders shall be held at any place within or outside the State of Delaware, designated by the Board. The Board may, in its sole discretion, determine that a meeting of stockholders shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 211(a)(2) of the General Corporation Law of the State of Delaware (the "DGCL"). In the absence of any such designation or determination, stockholders' meetings shall be held at the Corporation's principal executive office.

2.2 Annual Meeting.

The Board shall designate the date and time of the annual meeting. At the annual meeting, directors shall be elected and other proper business properly brought before the meeting in accordance with Section 2.4 of these bylaws may be transacted. The Board may postpone, reschedule or cancel any previously scheduled annual meeting of stockholders.

2.3 Special Meeting.

Special meetings of the stockholders may be called only by such persons and only in such manner as set forth in the Certificate of Incorporation.

No business may be transacted at any special meeting of stockholders other than the business specified in the notice of such meeting. The Board may postpone, reschedule or cancel any previously scheduled special meeting of stockholders.

2.4 Notice of Business to be Brought before a Meeting.

(a) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in a notice of meeting given by or at the direction of the Board of Directors, (ii) if not specified in a notice of meeting, otherwise brought before the meeting by the Board of Directors or the Chairman of the Board or (iii) otherwise properly brought before the meeting by a stockholder present in person who (A) (1) was a record owner of shares of the Corporation both at the time of giving the notice provided for in this Section 2.4 and at the time of the meeting, (2) is entitled to vote at the meeting, and (3) has complied with this Section 2.4 in all applicable respects or (B) properly made such proposal in accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (as so amended and inclusive of such rules and regulations, the "Exchange Act"). The foregoing clause (iii) shall be the exclusive means for a stockholder to propose business to be brought before an annual meeting of the stockholders. The only matters that may be brought before a special meeting are the matters specified in the notice of meeting given by or at the direction of the person calling the meeting pursuant to Section 2.3, and stockholders shall not be permitted to propose business to be brought before a special meeting of the stockholders. For purposes of this Section 2.4, "present in person" shall mean that the stockholder proposing that the business be brought before the annual meeting of the Corporation, or a qualified representative of such proposing stockholder, appear at such annual meeting. A "qualified representative" of such proposing stockholder shall be a duly authorized officer, manager or partner of such stockholder or any other person authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders. Stockholders seeking to nominate persons for election to the Board of Directors must comply with Section 2.5 and Section 2.6 and this Section 2.4 shall not be applicable to nominations except as expressly provided in Section 2.5 and Section 2.6.

(b) Without qualification, for business to be properly brought before an annual meeting by a stockholder, the stockholder must (i) provide Timely Notice (as defined below) thereof in writing and in proper form to the Secretary of the Corporation and (ii) provide any updates or supplements to such notice at the times and in the forms required by this Section 2.4. To be timely, a stockholder's notice must be delivered to, or mailed and received at, the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the one-year anniversary of the preceding year's annual meeting which, in the case of the first annual meeting of stockholders following the closing of the Corporation's initial underwritten public offering of common stock, the date of the preceding year's annual meeting shall be deemed to be March 1, 2024; *provided, however*, that if the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the stockholder to be timely must be so delivered, or mailed and received, not more than the hundred twentieth (120th) day prior to such annual meeting and not later than (i) the ninetieth (90th) day prior to such annual meeting or, (ii) if later, the tenth (10th) day following the day on which public disclosure of the date of such annual meeting was first made by the Corporation (such notice within such time periods, "Timely Notice"). In no event shall any adjournment or postponement of an annual meeting or the announcement thereof commence a new time period for the giving of Timely Notice as described above.

(c) To be in proper form for purposes of this Section 2.4, a stockholder's notice to the Secretary shall set forth:

(i) As to each Proposing Person (as defined below), (A) the name and address of such Proposing Person (including, if applicable, the name and address that appear on the Corporation's books and records), (B) the class or series and number of shares of the Corporation that are, directly or indirectly, owned of record or beneficially owned (within the meaning of Rule 13d-3 under the Exchange Act) by such Proposing Person, except that such Proposing Person shall in all events be deemed to beneficially own any shares of any class or series of the Corporation as to which such Proposing Person has a right to acquire beneficial ownership at any time in the future, (C) the date or dates such shares were acquired, (D) the investment intent of such acquisition and (E) any pledge by such Proposing Person with respect to any of such shares (the disclosures to be made pursuant to the foregoing clauses (A) through (E) are referred to as "Stockholder Information");

(ii) As to each Proposing Person, (A) the material terms and conditions of any "derivative security" (as such term is defined in Rule 16a-1(c) under the Exchange Act) that constitutes a "call equivalent position" (as such term is defined in Rule 16a-1(b) under the Exchange Act) or a "put equivalent position" (as such term is defined in Rule 16a-1(h) under the Exchange Act) or other derivative or synthetic arrangement in respect of any class or series of shares of the Corporation ("Synthetic Equity Position") that is, directly or indirectly, held or maintained by, held for the benefit of, or involving such Proposing Person, including, without limitation, (1) any option, warrant, convertible security, stock appreciation right, future or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation, (2) any derivative or synthetic arrangement having the characteristics of a long position or a short position in any class or series of shares of the Corporation, including, without limitation, a stock loan transaction, a stock borrow transaction, or a share repurchase transaction or (3) any contract, derivative, swap or other transaction or series of transactions designed to (x) produce economic benefits and risks that correspond substantially to the ownership of any class or series of shares of the Corporation, (y) mitigate any loss relating to, reduce the economic risk (of ownership or otherwise) of, or manage the risk of share price decrease in, any class or series of shares of the Corporation, or (z) increase or decrease the voting power in respect of any class or series of shares of the Corporation of such Proposing Person, including, without limitation, due to the fact that the value of such contract, derivative, swap or other transaction or series of transactions is determined by reference to the price, value or volatility of any class or series of shares of the Corporation, whether or not such instrument, contract or right shall be subject to settlement in the underlying class or series of shares of the Corporation, through the delivery of cash or other property, or otherwise, and without regard to whether the holder thereof may have entered into transactions that hedge or mitigate the economic effect of such instrument, contract or right, or any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the price or value of any class or series of shares of the Corporation; provided that, for the purposes of the definition of "Synthetic Equity Position," the term "derivative security" shall also include any security or instrument that would not otherwise constitute a "derivative security" as a result of any feature that would make any conversion, exercise or similar right or privilege of such security or instrument becoming determinable only at some future date or upon the happening of a future occurrence, in which case the determination of the amount of securities into which such security or instrument would be convertible or exercisable shall be made assuming that such security or instrument is immediately convertible or exercisable at the time of such determination; and, provided, further, that any Proposing Person satisfying the requirements of Rule 13d-1(b)(1) under the Exchange Act (other than a Proposing Person that so satisfies Rule 13d-1(b)(1) under the Exchange Act solely by reason of Rule 13d-1(b)(1)(ii)(E)) shall not be required to disclose any Synthetic Equity Position that is, directly or indirectly, held or maintained by, held for the benefit of, or involving such Proposing Person as a hedge with respect to a bona fide derivatives trade or position of such Proposing Person arising in the ordinary course of such Proposing Person's business as a derivatives dealer, (B) any rights to dividends on the shares of any class or series of shares of the Corporation owned beneficially by such Proposing Person that are separated or separable from the underlying shares of the Corporation, (C) any material pending or threatened legal proceeding in which such Proposing Person is a party or material participant involving the Corporation or any of its officers or directors, or any affiliate of the Corporation, (D) any other material relationship between such Proposing Person, on the one hand, and the Corporation or any affiliate of the Corporation, on the other hand, (E) any direct or indirect material interest in any material contract or agreement of such Proposing Person with the Corporation or any affiliate of the Corporation (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement), (F) any proportionate interest in shares of the Corporation or a Synthetic Equity Position held, directly or indirectly, by a general or limited partnership, limited liability company or similar entity in which any such Proposing Person (1) is a general partner or, directly or indirectly, beneficially owns an interest in a general partner of such general or limited partnership or (2) is the manager, managing member or, directly or indirectly, beneficially owns an interest in the manager or managing member of such limited liability company or similar entity; (G) a representation that such Proposing Person intends or is part of a group which intends to deliver a proxy statement or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or otherwise solicit proxies from stockholders in support of such proposal and (H) any other information relating to such Proposing Person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies or consents by such Proposing Person in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act (the disclosures to be made pursuant to the foregoing clauses (A) through (H) are referred to as "Disclosable Interests"); *provided*, *however*, that Disclosable Interests shall not include any such disclosures with respect to the ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the stockholder directed to prepare and submit the notice required by these Bylaws on behalf of a beneficial owner; and

(iii) As to each item of business that the stockholder proposes to bring before the annual meeting, (A) a brief description of the business desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting and any material interest in such business of each Proposing Person, (B) the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws, the language of the proposed amendment), (C) a reasonably detailed description of all agreements, arrangements and understandings (x) between or among any of the Proposing Persons or (y) between or among any Proposing Person and any other person or entity (including their names) in connection with the proposal of such business by such stockholder, and (D) any other information relating to such item of business that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act; *provided*, *however*, that the disclosures required by this paragraph (iii) shall not include any disclosures with respect to any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the stockholder directed to prepare and submit the notice required by these Bylaws on behalf of a beneficial owner.

For purposes of this Section 2.4, the term "Proposing Person" shall mean (i) the stockholder providing the notice of business proposed to be brought before an annual meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the business proposed to be brought before the annual meeting is made, and (iii) any participant (as defined in paragraphs (a)(ii)-(vi) of Instruction 3 to Item 4 of Schedule 14A) with such stockholder in such solicitation.

(d) The Board of Directors may request that any Proposing Person furnish such additional information as may be reasonably required by the Board of Directors. Such Proposing Person shall provide such additional information within ten (10) days after it has been requested by the Board of Directors.

(e) A Proposing Person shall update and supplement its notice to the Corporation of its intent to propose business at an annual meeting, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.4 shall be true and correct as of the record date for stockholders entitled to vote at the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for stockholders entitled to vote at the meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof). For the avoidance of doubt, the obligation to update and supplement as set forth in this paragraph or any other Section of these Bylaws shall not limit the Corporation's rights with respect to any deficiencies in any notice provided by a stockholder, extend any applicable deadlines hereunder or enable or be deemed to permit a stockholder who has previously submitted notice hereunder to amend or update any proposal or to submit any new proposal, including by changing or adding matters, business or resolutions proposed to be brought before a meeting of the stockholders.

(f) Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at an annual meeting that is not properly brought before the meeting in accordance with this Section 2.4. The presiding officer of the meeting shall, if the facts warrant, determine that the business was not properly brought before the meeting in accordance with this Section 2.4, and if he or she should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

(g) This Section 2.4 is expressly intended to apply to any business proposed to be brought before an annual meeting of stockholders other than any proposal made in accordance with Rule 14a-8 under the Exchange Act and included in the Corporation's proxy statement. In addition to the requirements of this Section 2.4 with respect to any business proposed to be brought before an annual meeting, each Proposing Person shall comply with all applicable requirements of the Exchange Act with respect to any such business. Nothing in this Section 2.4 shall be deemed to affect the rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

(h) For purposes of these Bylaws, "public disclosure" shall mean disclosure in a press release reported by a national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

2.5 Notice of Nominations for Election to the Board of Directors.

(a) Nominations of any person for election to the Board of Directors at an annual meeting or at a special meeting (but only if the election of directors is a matter specified in the notice of meeting given by or at the direction of the person calling such special meeting) may be made at such meeting only (i) by or at the direction of the Board of Directors, including by any committee or persons authorized to do so by the Board of Directors or these bylaws, or (ii) by a stockholder present in person who (A) was a record owner of shares of the Corporation both at the time of giving the notice provided for in this Section 2.5 and at the time of the meeting, (B) is entitled to vote at the meeting, and (C) has complied with this Section 2.5 and Section 2.6 as to such notice and nomination. For purposes of this Section 2.5, "present in person" shall mean that the stockholder nominating any person for election to the Board of Directors at the meeting of the Corporation, or a qualified representative of such stockholder, appear at such meeting. A "qualified representative" of such proposing stockholder shall be a duly authorized officer, manager or partner of such stockholder or any other person authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders. The foregoing clause (ii) shall be the exclusive means for a stockholder to make any nomination of a person or persons for election to the Board of Directors at an annual meeting or special meeting.

(b) (i) Without qualification, for a stockholder to make any nomination of a person or persons for election to the Board of Directors at an annual meeting, the stockholder must (1) provide Timely Notice (as defined in Section 2.4) thereof in writing and in proper form to the Secretary of the Corporation, (2) provide the information, agreements and questionnaires with respect to such stockholder and its candidate for nomination as required to be set forth by this Section 2.5 and Section 2.6 and (3) provide any updates or supplements to such notice at the times and in the forms required by this Section 2.5 and Section 2.6.

(ii) Without qualification, if the election of directors is a matter specified in the notice of meeting given by or at the direction of the person calling a special meeting, then for a stockholder to make any nomination of a person or persons for election to the Board of Directors at a special meeting, the stockholder must (i) provide timely notice thereof in writing and in proper form to the Secretary of the Corporation at the principal executive offices of the Corporation, (ii) provide the information with respect to such stockholder and its candidate for nomination as required by this Section 2.5 and Section 2.6 and (iii) provide any updates or supplements to such notice at the times and in the forms required by this Section 2.5. To be timely, a stockholder's notice for nominations to be made at a special meeting must be delivered to, or mailed and received at, the principal executive offices of the Corporation not earlier than the one hundred twentieth (120^{th}) day prior to such special meeting and not later than the ninetieth (90^{th}) day prior to such special meeting or, if later, the tenth (10^{th}) day following the day on which public disclosure (as defined in Section 2.4) of the date of such special meeting was first made.

(iii) In no event shall any adjournment or postponement of an annual meeting or special meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described above.

(iv) In no event may a Nominating Person provide Timely Notice with respect to a greater number of director candidates than are subject to election by stockholders at the applicable meeting. If the Corporation shall, subsequent to such notice, increase the number of directors subject to election at the meeting, such notice as to any additional nominees shall be due on the later of (i) the conclusion of the time period for Timely Notice, (ii) the date set forth in Section 2.5(b)(ii) or (iii) the tenth day following the date of public disclosure (as defined in Section 2.4) of such increase.

(c) To be in proper form for purposes of this Section 2.5, a stockholder's notice to the Secretary shall set forth:

(i) As to each Nominating Person (as defined below), the Stockholder Information (as defined in Section 2.4(c)(i), except that for purposes of this Section 2.5 the term "Nominating Person" shall be substituted for the term "Proposing Person" in all places it appears in Section 2.4(c)(i));

(ii) As to each Nominating Person, any Disclosable Interests (as defined in Section 2.4(c)(ii), except that for purposes of this Section 2.5 the term "Nominating Person" shall be substituted for the term "Proposing Person" in all places it appears in Section 2.4(c)(ii) and the disclosure with respect to the business to be brought before the meeting in Section 2.4(c)(ii) shall be made with respect to the election of directors at the meeting); and provided that, in lieu of including the information set forth in Section 2.4(c)(ii)(G), the Nominating Person's notice for purposes of this Section 2.5 shall include a representation as to whether the Nominating Person intends or is part of a group which intends to deliver a proxy statement and solicit the holders of shares representing at least 67% of the voting power of shares entitled to vote on the election of directors in support of director nominees other than the Corporation's nominees in accordance with Rule 14a-19 promulgated under the Exchange Act; and

(iii) As to each candidate whom a Nominating Person proposes to nominate for election as a director, (A) all information relating to such candidate for nomination that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14(a) under the Exchange Act (including such candidate's written consent to being named in a proxy statement and accompanying proxy card relating to the Corporation's next meeting of stockholders at which directors are to be elected and to serving as a director for a full term if elected), (B) a description of any direct or indirect material interest in any material contract or agreement between or among any Nominating Person, on the one hand, and each candidate for nomination or his or her respective associates or any other participants in such solicitation, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if such Nominating Person were the "registrant" for purposes of such rule and the candidate for nomination were a director or executive officer of such registrant (the disclosures to be made pursuant to the foregoing clauses (A) and (B) are referred to as "Nominee Information"), and (C) a completed and signed questionnaire, representation and agreement as provided in Section 2.6(a).

For purposes of this Section 2.5, the term "Nominating Person" shall mean (i) the stockholder providing the notice of the nomination proposed to be made at the meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the nomination proposed to be made at the meeting is made, and (iii) any participant (as defined in paragraphs (a)(ii)-(vi) of Instruction 3 to Item 4 of Schedule 14A) with such stockholder in such solicitation.

(d) The Board of Directors may request that any Nominating Person furnish such additional information as may be reasonably required by the Board of Directors. Such Nominating Person shall provide such additional information within ten (10) days after it has been requested by the Board of Directors.

(e) A stockholder providing notice of any nomination proposed to be made at a meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.5 shall be true and correct as of the record date for stockholders entitled to vote at the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for stockholders entitled to vote at the meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof). For the avoidance of doubt, the obligation to update and supplement as set forth in this paragraph or any other Section of these Bylaws shall not limit the Corporation's rights with respect to any deficiencies in any notice provided by a stockholder, extend any applicable deadlines hereunder or enable or be deemed to permit a stockholder who has previously submitted notice hereunder to amend or update any nomination or to submit any new nomination.

(f) In addition to the requirements of this Section 2.5 with respect to any nomination proposed to be made at a meeting, each Nominating Person shall comply with all applicable requirements of the Exchange Act with respect to any such nominations. Notwithstanding the foregoing provisions of this Section 2.5, unless otherwise required by law, (i) no Nominating Person shall solicit proxies in support of director nominees other than the Corporation's nominees unless such Nominating Person has complied with Rule 14a-19 promulgated under the Exchange Act in connection with the solicitation of such proxies, including the provision to the Corporation of notices required thereunder in a timely manner and (ii) if any Nominating Person (1) provides notice pursuant to Rule 14a-19(b) promulgated under the Exchange Act and (2) subsequently fails to comply with the requirements of Rule 14a-19(a)(2) or Rule 14a-19(a)(3) promulgated under the Exchange Act, including the provision to the Corporation of notices required thereunder in a timely manner, or fails to timely provide reasonable evidence sufficient to satisfy the Corporation that such Nominating Person has met the requirements of Rule 14a-19(a)(3) promulgated under the Exchange Act in accordance with the following sentence, then the nomination of each such proposed nominee shall be disregarded, notwithstanding that the nominee is included as a nominee in the Corporation's proxy statement, notice of meeting or other proxy materials for any annual meeting (or any supplement thereto) and notwithstanding that proxies or votes in respect of the election of such proposed nominees may have been received by the Corporation (which proxies and votes shall be disregarded). If any Nominating Person provides notice pursuant to Rule 14a-19(b) promulgated under the Exchange Act, such Nominating Person shall deliver to the Corporation, no later than seven (7) business days prior to the applicable meeting, reasonable evidence that it has met the requirements of Rule 14a-19(a)(3) promulgated under the Exchange Act.

2.6 Additional Requirements for Valid Nomination of Candidates to Serve as Director and, if Elected, to be Seated as Directors.

(a) To be eligible to be a candidate for election as a director of the Corporation at an annual or special meeting, a candidate must be nominated in the manner prescribed in Section 2.5 and the candidate for nomination, whether nominated by the Board of Directors or by a stockholder of record, must have previously delivered (in accordance with the time period prescribed for delivery in a notice to such candidate given by or on behalf of the Board of Directors), to the Secretary at the principal executive offices of the Corporation, (i) a completed written questionnaire (in the form provided by the Corporation upon written request of any stockholder of record therefor) with respect to the background, qualifications, stock ownership and independence of such proposed nominee and (ii) a written representation and agreement (in the form provided by the Corporation upon written request of any stockholder of record therefor) that such candidate for nomination (A) is not and, if elected as a director during his or her term of office, will not become a party to (1) any agreement, arrangement or understanding with, and has not given and will not give any commitment or assurance to, any person or entity as to how such proposed nominee, if elected as a director of the Corporation, will act or vote on any issue or question (a "*Voting Commitment*") or (2) any Voting Commitment that could limit or interfere with such proposed nominee's ability to comply, if elected as a director of the Corporation, with such proposed nominee's fiduciary duties under applicable law, (B) is not, and will not become a party to, any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation or reimbursement for service as a director that has not been disclosed to the Corporation, and (C) if elected as a director of the Corporation, will comply with all applicable corporate governance, conflict of interest, confidentiality, stock ownership and trading and other policies and guidelines of the Corporation applicable to directors and in effect during such person's term in office as a director (and, if requested by any candidate for nomination, the Secretary of the Corporation shall provide to such candidate for nomination all such policies and guidelines then in effect).

(b) The Board of Directors may also require any proposed candidate for nomination as a director to furnish such other information as may reasonably be requested by the Board of Directors in writing prior to the meeting of stockholders at which such candidate's nomination is to be acted upon. Without limiting the generality of the foregoing, the Board of Directors may request such other information in order for the Board of Directors to determine the eligibility of such candidate for nomination to be an independent director of the Corporation or to comply with the director qualification standards and additional selection criteria in accordance with the Corporation's Corporate Governance Guidelines. Such other information shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation (or any other office specified by the Corporation in any public announcement) not later than five (5) business days after the request by the Board of Directors has been delivered to, or mailed and received by, the Nominating Person.

(c) A candidate for nomination as a director shall further update and supplement the materials delivered pursuant to this Section 2.6, if necessary, so that the information provided or required to be provided pursuant to this Section 2.6 shall be true and correct as of the record date for stockholders entitled to vote at the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation (or any other office specified by the Corporation in any public announcement) not later than five (5) business days after the record date for stockholders entitled to vote at the meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof). For the avoidance of doubt, the obligation to update and supplement as set forth in this paragraph or any other Section of these Bylaws shall not limit the Corporation's rights with respect to any deficiencies in any notice provided by a stockholder, extend any applicable deadlines hereunder or enable or be deemed to permit a stockholder who has previously submitted notice hereunder to amend or update any nomination or to submit any new proposal, including by changing or adding nominees, matters, business or resolutions proposed to be brought before a meeting of the stockholders.

(d) No candidate shall be eligible for nomination as a director of the Corporation unless such candidate for nomination and the Nominating Person seeking to place such candidate's name in nomination has complied with Section 2.5 and this Section 2.6, as applicable. The presiding officer at the meeting shall, if the facts warrant, determine that a nomination was not properly made in accordance with Section 2.5 and this Section 2.6, and if he or she should so determine, he or she shall so declare such determination to the meeting, the defective nomination shall be disregarded and any ballots cast for the candidate in question (but in the case of any form of ballot listing other qualified nominees, only the ballots cast for the nominee in question) shall be void and of no force or effect.

(e) Notwithstanding anything in these Bylaws to the contrary, no candidate for nomination shall be eligible to be seated as a director of the Corporation unless nominated and elected in accordance with Section 2.5 and this Section 2.6.

2.7 Notice of Stockholders' Meetings.

Unless otherwise provided by law, the Certificate of Incorporation or these bylaws, the notice of any meeting of stockholders shall be sent or otherwise given in accordance with Section 8.1 of these bylaws not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting. The notice shall specify the place, if any, date and time of the meeting, the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

2.8 Quorum.

Unless otherwise provided by law, the Certificate of Incorporation or these bylaws, the holders of a majority in voting power of the stock issued and outstanding and entitled to vote, present in person, or by remote communication, if applicable, or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders. A quorum, once established at a meeting, shall not be broken by the withdrawal of enough votes to leave less than a quorum. If, however, a quorum is not present or represented at any meeting of the stockholders, then either (i) the person presiding over the meeting or (ii) a majority in voting power of the stockholders entitled to vote at the meeting, present in person, or by remote communication, if applicable, or represented by proxy, shall have power to recess the meeting or adjourn the meeting from time to time in the manner provided in Section 2.9 of these bylaws until a quorum is present or represented. At any recessed or adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

2.9 Adjourned Meeting; Notice.

When a meeting is adjourned to another time or place, unless these bylaws otherwise require, notice need not be given of the adjourned meeting if the time, place, if any, thereof, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken or are provided in any other manner permitted by the DGCL . At any adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the Board shall fix as the record date for determining stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such meeting as of the record date so fixed for notice of such adjourned meeting.

2.10 Conduct of Business.

The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the person presiding over the meeting. The Board may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board, the person presiding over any meeting of stockholders shall have the right and authority to convene and (for any or no reason) to recess and/or adjourn the meeting, to prescribe such rules, regulations and procedures (which need not be in writing) and to do all such acts as, in the judgment of such presiding person, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board or prescribed by the person presiding over the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present (including, without limitation, rules and procedures for removal of disruptive persons from the meeting); (iii) limitations on attendance at or participation in the meeting to stockholders entitled to vote at the meeting, their duly authorized and constituted proxies or such other persons as the person presiding over the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The presiding person at any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting (including, without limitation, determinations with respect to the administration and/or interpretation of any of the rules, regulations or procedures of the meeting, whether adopted by the Board or prescribed by the person presiding over the meeting), shall, if the facts warrant, determine and declare to the meeting that a matter of business was not properly brought before the meeting and if such presiding person should so determine, such presiding person shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board or the person presiding over the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

2.11 Voting.

Except as may be otherwise provided in the Certificate of Incorporation, these bylaws or the DGCL, each stockholder shall be entitled to one (1) vote for each share of capital stock held by such stockholder.

Except as otherwise provided by the Certificate of Incorporation, at all duly called or convened meetings of stockholders at which a quorum is present, for the election of directors, a plurality of the votes cast shall be sufficient to elect a director. Except as otherwise provided by the Certificate of Incorporation, these bylaws, the rules or regulations of any stock exchange applicable to the Corporation, or applicable law or pursuant to any regulation applicable to the Corporation or its securities, each other matter presented to the stockholders at a duly called or convened meeting at which a quorum is present shall be decided by the affirmative vote of the holders of a majority in voting power of the votes cast (excluding abstentions and broker non-votes) on such matter.

2.12 Record Date for Stockholder Meetings and Other Purposes.

In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall, unless otherwise required by law, not be more than sixty (60) days nor less than ten (10) days before the date of such meeting. If the Board so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be the close of business on the next day preceding the day on which notice is first given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting; and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment or any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of capital stock, or for the purposes of any other lawful action, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

2.13 Proxies.

Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy authorized by an instrument in writing or by a transmission permitted by law, including Rule 14a-19 promulgated under the Securities Exchange Act of 1934, as amended, filed in accordance with the procedure established for the meeting, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212 of the DGCL. A proxy may be in the form of an electronic transmission which sets forth or is submitted with information from which it can be determined that the transmission was authorized by the stockholder.

Any stockholder directly or indirectly soliciting proxies from other stockholders must use a proxy card color other than white, which shall be reserved for the exclusive use by the Board.

2.14 List of Stockholders Entitled to Vote.

The Corporation shall prepare, no later than the tenth day before each meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting (provided, however, that if the record date for determining the stockholders entitled to vote is less than ten (10) days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date), arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. The Corporation shall not be required to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of ten (10) days ending on the day before the meeting date: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the Corporation's principal executive office. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. Such list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them. Except as otherwise provided by law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders required by this Section 2.14 or to vote in person or by proxy at any meeting of stockholders.

2.15 Inspectors of Election.

Before any meeting of stockholders, the Corporation shall appoint an inspector or inspectors of election to act at the meeting or its adjournment and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If any person appointed as inspector or any alternate fails to appear or fails or refuses to act, then the person presiding over the meeting shall appoint a person to fill that vacancy.

Such inspectors shall:

(i) determine the number of shares outstanding and the voting power of each, the number of shares represented at the meeting and the validity of any proxies and ballots;

(ii) count all votes or ballots;

(iii) count and tabulate all votes;

(iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspector(s); and

(v) certify its or their determination of the number of shares represented at the meeting and its or their count of all votes and ballots.

Each inspector, before entering upon the discharge of the duties of inspector, shall take and sign an oath faithfully to execute the duties of inspection with strict impartiality and according to the best of such inspector's ability. Any report or certificate made by the inspectors of election is prima facie evidence of the facts stated therein. The inspectors of election may appoint such persons to assist them in performing their duties as they determine.

2.16 Delivery to the Corporation.

Whenever this Article II requires one or more persons (including a record or beneficial owner of stock) to deliver a document or information to the Corporation or any officer, employee or agent thereof (including any notice, request, questionnaire, revocation, representation or other document or agreement), such document or information shall be in writing exclusively (and not in an electronic transmission) and shall be delivered exclusively by hand (including, without limitation, overnight courier service) or by certified or registered mail, return receipt requested, and the Corporation shall not be required to accept delivery of any document not in such written form or so delivered. For the avoidance of doubt, the Corporation expressly opts out of Section 116 of the DGCL with respect to the delivery of information and documents to the Corporation required by this Article II.

Article III - Directors

3.1 Powers.

Except as otherwise provided by the Certificate of Incorporation or the DGCL, the business and affairs of the Corporation shall be managed by or under the direction of the Board.

3.2 Number of Directors.

Subject to the Certificate of Incorporation, the total number of directors constituting the Board shall be determined from time to time by resolution of the Board. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

3.3 Election, Qualification and Term of Office of Directors.

Except as provided in Section 3.4 of these bylaws, and subject to the Certificate of Incorporation, each director, including a director elected to fill a vacancy or newly created directorship, shall hold office until the expiration of the term of the class, if any, for which elected and until such director's successor is elected and qualified or until such director's earlier death, resignation, disqualification or removal. Directors need not be stockholders. The Certificate of Incorporation or these bylaws may prescribe qualifications for directors.

3.4 Resignation and Vacancies.

Any director may resign at any time upon notice given in writing or by electronic transmission to the Corporation. The resignation shall take effect at the time specified therein or upon the happening of an event specified therein, and if no time or event is specified, at the time of its receipt. When one or more directors so resigns and the resignation is effective at a future date or upon the happening of an event to occur on a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in Section 3.3.

Unless otherwise provided in the Certificate of Incorporation or these bylaws, vacancies resulting from the death, resignation, disqualification or removal of any director, and newly created directorships resulting from any increase in the authorized number of directors shall be filled only by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

3.5 Place of Meetings; Meetings by Telephone.

The Board may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the Certificate of Incorporation or these bylaws, members of the Board, or any committee designated by the Board, may participate in a meeting of the Board, or any committee, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting pursuant to this bylaw shall constitute presence in person at the meeting.

3.6 Regular Meetings.

Regular meetings of the Board may be held within or outside the State of Delaware and at such time and at such place as which has been designated by the Board and publicized among all directors, either orally or in writing, by telephone, including a voice-messaging system or other system designed to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other means of electronic transmission. No further notice shall be required for regular meetings of the Board.

3.7 Special Meetings; Notice.

Special meetings of the Board for any purpose or purposes may be called at any time by the chairperson of the Board, the Chief Executive Officer, the President, the Secretary or a majority of the total number of directors constituting the Board.

Notice of the time and place of special meetings shall be:

(i) delivered personally by hand, by courier or by telephone;

(ii) sent by United States first-class mail, postage prepaid;

(iii) sent by facsimile or electronic mail; or

(iv) sent by other means of electronic transmission,

directed to each director at that director's address, telephone number, facsimile number or electronic mail address, or other address for electronic transmission, as the case may be, as shown on the Corporation's records.

If the notice is (i) delivered personally by hand, by courier or by telephone, (ii) sent by facsimile or electronic mail, or (iii) sent by other means of electronic transmission, it shall be delivered or sent at least twenty-four (24) hours before the time of the holding of the meeting. If the notice is sent by U.S. mail, it shall be deposited in the U.S. mail at least four (4) days before the time of the holding of the meeting. The notice need not specify the place of the meeting (if the meeting is to be held at the Corporation's principal executive office) nor the purpose of the meeting.

3.8 Quorum.

At all meetings of the Board, unless otherwise provided by the Certificate of Incorporation, a majority of the total number of directors shall constitute a quorum for the transaction of business. The vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board, except as may be otherwise specifically provided by statute, the Certificate of Incorporation or these bylaws. If a quorum is not present at any meeting of the Board, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

3.9 Board Action without a Meeting.

Unless otherwise restricted by the Certificate of Incorporation or these bylaws, any action required or permitted to be taken at any meeting of the Board, or of any committee thereof, may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing or by electronic transmission. After an action is taken, the consent or consents relating thereto shall be filed with the minutes of the proceedings of the Board, or the committee thereof, in the same paper or electronic form as the minutes are maintained. Such action by written consent or consent by electronic transmission shall have the same force and effect as a unanimous vote of the Board.

3.10 Fees and Compensation of Directors.

Unless otherwise restricted by the Certificate of Incorporation or these bylaws, the Board shall have the authority to fix the compensation, including fees and reimbursement of expenses, of directors for services to the Corporation in any capacity.

Article IV - Committees

4.1 Committees of Directors.

The Board may designate one (1) or more committees, each committee to consist, of one (1) or more of the directors of the Corporation. The Board may designate one (1) or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board or in these bylaws, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) approve or adopt, or recommend to the stockholders, any action or matter expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopt, amend or repeal any bylaw of the Corporation.

4.2 Committee Minutes.

Each committee shall keep regular minutes of its meetings and report the same to the Board when required.

4.3 Meetings and Actions of Committees.

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of:

(i) Section 3.5 (place of meetings; meetings by telephone);

(ii) Section 3.6 (regular meetings);

(iii) Section 3.7 (special meetings; notice);

(iv) Section 3.9 (board action without a meeting); and

(v) Section 7.13 (waiver of notice),

with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the Board and its members. *However*:

(i) the time of regular meetings of committees may be determined either by resolution of the Board or by resolution of the committee;

(ii) special meetings of committees may also be called by resolution of the Board or the chairperson of the applicable committee; and

(iii) the Board may adopt rules for the governance of any committee to override the provisions that would otherwise apply to the committee pursuant to this Section 4.3, provided that such rules do not violate the provisions of the Certificate of Incorporation or applicable law.

4.4 Subcommittees.

Unless otherwise provided in the Certificate of Incorporation, these bylaws or the resolutions of the Board designating the committee, a committee may create one (1) or more subcommittees, each subcommittee to consist of one (1) or more members of the committee, and delegate to a subcommittee any or all of the powers and authority of the committee.

Article V - Officers

5.1 Officers.

The officers of the Corporation shall include a Chief Executive Officer, a President and a Secretary. The Corporation may also have, at the discretion of the Board, a Chairperson of the Board, an Executive Vice Chairperson of the Board, a Vice Chairperson of the Board, an Executive Vice

Chairperson, a Chief Financial Officer, a Treasurer, one (1) or more Vice Presidents, one (1) or more Assistant Vice Presidents, one (1) or more Assistant Treasurers, one (1) or more Assistant Secretaries, and any such other officers as may be appointed in accordance with the provisions of these bylaws. Any number of offices may be held by the same person. No officer need be a stockholder or director of the Corporation.

5.2 Appointment of Officers.

The Board shall appoint the officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Section 5.3 of these bylaws.

5.3 Subordinate Officers.

The Board may appoint, or empower the Chief Executive Officer or, in the absence of a Chief Executive Officer, the President, to appoint, such other officers and agents as the business of the Corporation may require. Each of such officers and agents shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the Board may from time to time determine.

5.4 Removal and Resignation of Officers.

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by the Board or, except in the case of an officer chosen by the Board, by any officer upon whom such power of removal may be conferred by the Board.

Any officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in the notice of resignation, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

5.5 Vacancies in Offices.

Any vacancy occurring in any office of the Corporation shall be filled by the Board or as provided in Section 5.2.

5.6 Representation of Shares of Other Corporations.

The Chairperson of the Board, the Chief Executive Officer, or the President of this Corporation, or any other person authorized by the Board, the Chief Executive Officer or the President, is authorized to vote, represent and exercise on behalf of this Corporation all rights incident to any and all shares or voting securities of any other corporation or other person standing in the name of this Corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

5.7 Authority and Duties of Officers.

All officers of the Corporation shall respectively have such authority and perform such duties in the management of the business of the Corporation as may be provided herein or designated from time to time by the Board and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the Board.

5.8 Compensation.

The compensation of the officers of the Corporation for their services as such shall be fixed from time to time by or at the direction of the Board. An officer of the Corporation shall not be prevented from receiving compensation by reason of the fact that he or she is also a director of the Corporation.

Article VI - Records

A stock ledger consisting of one or more records in which the names of all of the Corporation's stockholders of record, the address and number of shares registered in the name of each such stockholder, and all issuances and transfers of stock of the corporation are recorded in accordance with Section 224 of the DGCL shall be administered by or on behalf of the Corporation. Any records administered by or on behalf of the Corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or by means of, or be in the form of, any information storage device, or method, or one or more electronic networks or databases (including one or more distributed electronic networks or databases), provided that the records so kept can be converted into clearly legible paper form within a reasonable time and, with respect to the stock ledger, that the records so kept (i) can be used to prepare the list of stockholders specified in Sections 219 and 220 of the DGCL, (ii) record the information specified in Sections 156, 159, 217(a) and 218 of the DGCL, and (iii) record transfers of stock as governed by Article 8 of the Uniform Commercial Code as adopted in the State of Delaware.

Article VII - General Matters

7.1 Execution of Corporate Contracts and Instruments.

The Board, except as otherwise provided in these bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation; such authority may be general or confined to specific instances.

7.2 Stock Certificates.

The shares of the Corporation shall be represented by certificates, provided that the Board by resolution may provide that some or all of the shares of any class or series of stock of the Corporation shall be uncertificated. Certificates for the shares of stock, if any, shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of stock represented by a certificate shall be entitled to have a certificate signed by, or in the name of the Corporation by, any two officers authorized to sign stock certificates representing the number of shares registered in certificate form. The Chairperson or any Vice Chairperson of the Board, Chief Executive Officer, the President, the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary of the Corporation shall be specifically authorized to sign stock certificates. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

The Corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, or upon the books and records of the Corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the Corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

7.3 Special Designation of Certificates.

If the Corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or on the back of the certificate that the Corporation shall issue to represent such class or series of stock (or, in the case of uncertificated shares, set forth in a notice provided pursuant to Section 151 of the DGCL); provided, however, that except as otherwise provided in Section 202 of the DGCL, in lieu of the foregoing requirements, there may be set forth on the face of back of the certificate that the Corporation shall issue to represent such class or series of stock (or, in the case of any uncertificated shares, included in the aforementioned notice) a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

7.4 Lost Certificates.

Except as provided in this Section 7.4, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the Corporation and cancelled at the same time. The Corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

7.5 Shares Without Certificates

The Corporation may adopt a system of issuance, recordation and transfer of its shares of stock by electronic or other means not involving the issuance of certificates, provided the use of such system by the Corporation is permitted in accordance with applicable law.

7.6 Construction; Definitions.

Unless the context requires otherwise, the general provisions, rules of construction and definitions in the DGCL shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural and the plural number includes the singular.

7.7 Dividends.

The Board, subject to any restrictions contained in either (i) the DGCL or (ii) the Certificate of Incorporation, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property or in shares of the Corporation's capital stock.

The Board may set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the Corporation, and meeting contingencies.

7.8 Fiscal Year.

The fiscal year of the Corporation shall be fixed by resolution of the Board and may be changed by the Board.

7.9 Seal.

The Corporation may adopt a corporate seal, which shall be adopted and which may be altered by the Board. The Corporation may use the corporate seal by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

7.10 Transfer of Stock.

Shares of the Corporation shall be transferable in the manner prescribed by law and in these bylaws. Shares of stock of the Corporation shall be transferred on the books of the Corporation only by the holder of record thereof or by such holder's attorney duly authorized in writing, upon surrender to the Corporation of the certificate or certificates representing such shares endorsed by the appropriate person or persons (or by delivery of duly executed instructions with respect to uncertificated shares), with such evidence of the authenticity of such endorsement or execution, transfer, authorization and other matters as the Corporation may reasonably require, and accompanied by all necessary stock transfer stamps. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing the names of the persons from and to whom it was transferred.

7.11 Stock Transfer Agreements.

The Corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes or series of stock of the Corporation to restrict the transfer of shares of stock of the Corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

7.12 Registered Stockholders.

The Corporation:

(i) shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner; and

(ii) shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

7.13 Waiver of Notice.

Whenever notice is required to be given under any provision of the DGCL, the Certificate of Incorporation or these bylaws, a written waiver, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the Certificate of Incorporation or these bylaws.

Article VIII - Notice

8.1 Delivery of Notice; Notice by Electronic Transmission.

Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Corporation under any provisions of the DGCL, the Certificate of Incorporation, or these bylaws may be given in writing directed to the stockholder's mailing address (or by electronic transmission directed to the stockholder's electronic mail address, as applicable) as it appears on the records of the Corporation and shall be given (1) if mailed, when the notice is deposited in the U.S. mail, postage prepaid, (2) if delivered by courier service, the earlier of when the notice is received or left at such stockholder's address or (3) if given by electronic mail, when directed to such stockholder's electronic mail address unless the stockholder has notified the Corporation in writing or by electronic transmission of an objection to receiving notice by electronic mail. A notice by electronic mail must include a prominent legend that the communication is an important notice regarding the Corporation.

Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Corporation under any provision of the DGCL, the Certificate of Incorporation or these bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice or electronic transmission to the Corporation. Notwithstanding the provisions of this paragraph, the Corporation may give a notice by electronic mail in accordance with the first paragraph of this section without obtaining the consent required by this paragraph.

Any notice given pursuant to the preceding paragraph shall be deemed given:

(i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice;

(ii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and

(iii) if by any other form of electronic transmission, when directed to the stockholder.

Notwithstanding the foregoing, a notice may not be given by an electronic transmission from and after the time that (1) the Corporation is unable to deliver by such electronic transmission two (2) consecutive notices given by the Corporation and (2) such inability becomes known to the Secretary or an Assistant Secretary of the Corporation or to the transfer agent, or other person responsible for the giving of notice, provided, however, the inadvertent failure to discover such inability shall not invalidate any meeting or other action.

An affidavit of the Secretary or an Assistant Secretary or of the transfer agent or other agent of the Corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

Article IX - Indemnification

9.1 Indemnification of Directors and Officers.

The Corporation shall indemnify and hold harmless, to the fullest extent permitted by the DGCL as it presently exists or may hereafter be amended, any director or officer of the Corporation who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding") by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or officer of the Corporation or, while serving as a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership (a "covered person"), joint venture, trust, enterprise or non-profit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees, judgments, fines ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred by such person in connection with any such Proceeding. Notwithstanding the preceding sentence, except as otherwise provided in Section 9.4, the Corporation shall be required to indemnify a person in connection with a Proceeding initiated by such person only if the Proceeding was authorized in the specific case by the Board.

9.2 Indemnification of Others.

The Corporation shall have the power to indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any employee or agent of the Corporation who was or is made or is threatened to be made a party or is otherwise involved in any Proceeding by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was an employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or non-profit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses reasonably incurred by such person in connection with any such Proceeding.

9.3 Prepayment of Expenses.

The Corporation shall to the fullest extent not prohibited by applicable law pay the expenses (including attorneys' fees) incurred by any covered person, and may pay the expenses incurred by any employee or agent of the Corporation, in defending any Proceeding in advance of its final disposition;

provided, however, that such payment of expenses in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by the person to repay all amounts advanced if it should be ultimately determined that the person is not entitled to be indemnified under this Article IX or otherwise.

9.4 Determination; Claim.

If a claim for indemnification (following the final disposition of such Proceeding) under this Article IX is not paid in full within sixty (60) days, or a claim for advancement of expenses under this Article IX is not paid in full within thirty (30) days, after a written claim therefor has been received by the Corporation the claimant may thereafter (but not before) file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim to the fullest extent permitted by law. In any such action the Corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law.

9.5 Non-Exclusivity of Rights.

The rights conferred on any person by this Article IX shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, these bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

9.6 Insurance.

The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust enterprise or non-profit entity against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of the DGCL.

9.7 Other Indemnification.

The Corporation's obligation, if any, to indemnify or advance expenses to any person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or non-profit entity shall be reduced by any amount such person may collect as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, enterprise or non-profit enterprise.

9.8 Continuation of Indemnification.

The rights to indemnification and to prepayment of expenses provided by, or granted pursuant to, this Article IX shall continue notwithstanding that the person has ceased to be a director or officer of the Corporation and shall inure to the benefit of the estate, heirs, executors, administrators, legatees and distributees of such person.

9.9 Amendment or Repeal; Interpretation.

The provisions of this Article IX shall constitute a contract between the Corporation, on the one hand, and, on the other hand, each individual who serves or has served as a director or officer of the

Corporation (whether before or after the adoption of these bylaws), in consideration of such person's performance of such services, and pursuant to this Article IX the Corporation intends to be legally bound to each such current or former director or officer of the Corporation. With respect to current and former directors and officers of the Corporation, the rights conferred under this Article IX are present contractual rights and such rights are fully vested, and shall be deemed to have vested fully, immediately upon adoption of theses bylaws. With respect to any directors or officers of the Corporation who commence service following adoption of these bylaws, the rights conferred under this provision shall be present contractual rights and such rights shall fully vest, and be deemed to have vested fully, immediately upon such director or officer commencing service as a director or officer of the Corporation. Any repeal or modification of the foregoing provisions of this Article IX shall not adversely affect any right or protection (i) hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification or (ii) under any agreement providing for indemnification or advancement of expenses to an officer or director of the Corporation in effect prior to the time of such repeal or modification.

Any reference to an officer of the Corporation in this Article IX shall be deemed to refer exclusively to the Chief Executive Officer, President, and Secretary, or other officer of the Corporation appointed by (x) the Board pursuant to Article V of these bylaws or (y) an officer to whom the Board has delegated the power to appoint officers pursuant to Article V of these bylaws, and any reference to an officer of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall be deemed to refer exclusively to an officer appointed by the board of directors (or equivalent governing body) of such other entity pursuant to the certificate of incorporation and bylaws (or equivalent organizational documents) of such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise. The fact that any person who is or was an employee of the Corporation or an employee of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise has been given or has used the title of "Vice President" or any other title that could be construed to suggest or imply that such person is or may be an officer of the Corporation or of such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall not result in such person being constituted as, or being deemed to be, an officer of the Corporation or of such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise for purposes of this Article IX.

Article X - Amendments

The Board is expressly empowered to adopt, amend or repeal the bylaws of the Corporation. The stockholders also shall have power to adopt, amend or repeal the bylaws of the Corporation; *provided, however*, that such action by stockholders shall require, in addition to any other vote required by the Certificate of Incorporation or applicable law, the affirmative vote of the holders of at least two-thirds of the voting power of all the then-outstanding shares of voting stock of the Corporation with the power to vote generally in an election of directors, voting together as a single class.

Article XI - Definitions

As used in these bylaws, unless the context otherwise requires, the following terms shall have the following meanings:

An "<u>electronic transmission</u>" means any form of communication, not directly involving the physical transmission of paper, including the use of, or participation in, one or more electronic networks or databases (including one or more distributed electronic networks or databases), that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

An "electronic mail" means an electronic transmission directed to a unique electronic mail address (which electronic mail shall be deemed to include any files attached thereto and any information hyperlinked to a website if such electronic mail includes the contact information of an officer or agent of the Corporation who is available to assist with accessing such files and information).

An "electronic mail address" means a destination, commonly expressed as a string of characters, consisting of a unique user name or mailbox (commonly referred to as the "local part" of the address) and a reference to an internet domain (commonly referred to as the "domain part" of the address), whether or not displayed, to which electronic mail can be sent or delivered.

The term "person" means any individual, general partnership, limited partnership, limited liability company, corporation, trust, business trust, joint stock company, joint venture, unincorporated association, cooperative or association or any other legal entity or organization of whatever nature, and shall include any successor (by merger or otherwise) of such entity.

Exhibit 4.2

STOCKHOLDERS AGREEMENT

by and among

PACS GROUP, INC.

and

THE STOCKHOLDERS NAMED HEREIN

Dated as of [], 2024

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STOCKHOLDERS AGREEMENT

This STOCKHOLDERS AGREEMENT (as the same may be amended from time to time in accordance with its terms, the "Agreement") is entered into as of [●], 2024, by and among (i) PACS Group, Inc., a Delaware corporation (the "Issuer"); (ii) Jason Murray; and (iii) Mark Hancock (each of Mr. Hancock and Mr. Murray, a "Stockholder" and collectively, the "Stockholders").

WHEREAS, in connection with the consummation by the Issuer of the IPO (as hereinafter designed), the parties hereto desire to enter into this Agreement to govern certain of their rights, duties and obligations with respect to ownership of Shares (as hereinafter defined) after the consummation of the IPO.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties mutually agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. As used in this Agreement, the following terms shall have the meanings set forth below:

"Affiliate" means, with respect to any Person, any other Person that controls, is controlled by, or is under common control with such Person. The term "control," as used with respect to any Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise. "Controlled" and "controlling" have meanings correlative to the foregoing. Notwithstanding the foregoing, for purposes hereof, none of the Stockholders or any of their Affiliates shall be considered an Affiliate of (a) Issuer or any of its Subsidiaries or (b) each other.

"Agreement" has the meaning set forth in the Preamble.

"Beneficial Ownership" and "Beneficially Own" and similar terms have the meaning set forth in Rule 13d-3 under the Exchange Act; provided, however, that no Stockholder shall be deemed to beneficially own any securities of the Issuer held by any other Stockholder solely by virtue of the provisions of this Agreement (other than this definition which shall be deemed to be read for this purpose without the proviso hereto).

"Board" means the Board of Directors of the Issuer.

"Business Day" means any day, other than a Saturday, Sunday or one on which banks are authorized by law to be closed in New York, New York.

"Certificate of Incorporation" means the certificate of incorporation of the Issuer as the same may be amended, modified, supplemented and/or restated from time to time.

"Change in Control" means the occurrence of any of the following events:

(a) the sale or disposition, in one or a series of related transactions, of all or substantially all, of the assets of the Issuer to any "person" or "group" (as such terms are defined in Section 13(d)(3) or 14(d)(2) of the Exchange Act), other than to any of the Stockholders or any of their respective Affiliates (collectively, the "Permitted Holders");

(b) any person or group, other than one or more of the Permitted Holders, is or becomes the Beneficial Owner, directly or indirectly, of more than fifty percent (50%) of the total voting power of the outstanding voting stock or interests, as applicable, of the Issuer (or any entity which controls the Issuer or which is a successor to all or substantially all of the assets of the Issuer), including by way of merger, conversion, domestication, recapitalization, reorganization, redemption, issuance of capital stock, consolidation, tender or exchange offer or otherwise; or

(c) a merger or consolidation of the Issuer with or into another Person (other than one or more of the Permitted Holders) in which the voting stockholders of the Issuer immediately prior to such merger cease to hold at least fifty percent (50%) of the voting stock of the Issuer (or the voting stock or equity interests of the surviving or resulting entity or ultimate parent f the surviving or resulting entity) immediately following such merger or consolidation;

provided that, in each case under clause (a), (b) or (c), no Change in Control shall be deemed to occur unless the Permitted Holders as a result of such transaction cease to have the ability, without the approval of any Person who is not a Permitted Holder, to elect a majority of the members of the Board of Directors or other governing body of the Issuer (or the surviving or resulting entity or of the ultimate parent of the surviving or resulting entity), and in no event shall a Change in Control be deemed to include any transaction effected for the purpose of (i) changing, directly or indirectly, the form of organization or the organizational structure of the Issuer or any of its Subsidiaries, or (ii) contributing assets or equity to entities controlled by the Issuer (or owned by the Issuer in substantially the same proportions as their ownership of the Issuer).

"Closing Date" means the date of the closing of the IPO.

"Director" means any member of the Board from time to time.

"Director Designee" means a Murray Designee or a Hancock Designee.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, as the same may be amended from time to time.

"Hancock" means Mark Hancock and any of his Affiliates.

"Hancock Designee" has the meaning set forth in Section 2.1(a)(ii).

"IPO" means the offering and sale of equity securities of the Issuer pursuant to the registration statement on Form S-1, as amended (SEC File No. 333-277893) filed with the SEC on March 13, 2024 and declared effective on [●], 2024.

"Issuer" has the meaning set forth in the Recitals.

"Law," with respect to any Person, means (a) all provisions of all laws, statutes, ordinances, rules, regulations, permits, certificates or orders of any governmental authority applicable to such Person or any of its assets or property or to which such Person or any of its assets or property is subject and (b) all judgments, injunctions, orders and decrees of all courts and arbitrators in proceedings or actions in which such Person is a party or by which it or any of its assets or properties is or may be bound or subject.

"Murray" means Jason Murray and any of his Affiliates.

"Murray Designee" has the meaning set forth in Section 2.1(a)(i).

"Person" means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, limited liability company or any other entity of whatever nature, and shall include any successor (by merger or otherwise) of such entity.

"Registration Rights Agreement" means that certain registration rights agreement, dated as of the date hereof, by and among the Issuer and the signatories party thereto (as amended, restated, supplemented or otherwise modified from time to time).

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, as the same may be amended from time to time.

"Shares" means shares of common stock, par value of $0.001 per share, of the Issuer, and any equity securities issued in respect thereof, or in substitution therefor, in connection with any stock split, dividend or combination, or any reclassification, recapitalization, merger, consolidation or similar transaction.

"Stock Exchange" means the New York Stock Exchange or such other securities exchange or interdealer quotation system on which Shares are then listed or quoted.

"Stockholder" has the meaning set forth in the Preamble.

"Subsidiary" means, with respect to any party, any corporation, partnership, trust, limited liability company or other form of legal entity in which such party (or another Subsidiary of such party) holds stock or other ownership interests representing (a) more than fifty percent (50%) of the voting power of all outstanding stock or ownership interests of such entity, (b) the right to receive more than fifty percent (50%) of the net assets of such entity available for distribution to the holders of outstanding stock or ownership interests upon a liquidation or dissolution of such entity or (c) a general or managing partnership interest in such entity.

Section 1.2. General Interpretive Principles. The name assigned to this Agreement and the section captions used herein are for convenience of reference only and shall not be construed to affect the meaning, construction or effect hereof. Whenever required by the context, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa. Reference to any agreement, document or instrument means such agreement, document or instrument as amended or otherwise modified from time to time in accordance with the terms thereof, and if applicable hereof. Unless otherwise specified, the terms "hereof," "herein" and similar terms refer to this Agreement as a whole, and references herein to Articles or Sections refer to Articles or Sections of this Agreement. For purposes of this Agreement, the words, "include," "includes" and "including," when used herein, shall be deemed in each case to be followed by the words "without limitation". The terms "dollars" and "$" shall mean United States dollars. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement. Wherever a conflict exists between this Agreement and any other agreement, this Agreement shall control but solely to the extent of such conflict.

ARTICLE II
MANAGEMENT

Section 2.1. Board of Directors.

(a) Designation. Following the Closing Date, each Stockholder shall have the right, but not the obligation, to designate for election to the Board, and the Issuer shall include or cause to be included such designees in the slate of nominees for election to the Board at all of the Issuer's applicable annual or special meetings of stockholders (or consents in lieu of a meeting) at which Directors are to be elected (adjusted as appropriate to take into account the Issuer's classified Board structure, if applicable), subject to satisfaction of all qualification and legal requirements regarding service as a Director and Section 2.1(c), the number of designees that, if elected, will result in such Stockholder having the number of Directors serving on the Board as follows:

(i) So long as Murray continues to Beneficially Own (A) at least twenty percent (20%) of the aggregate number of Shares outstanding as of the Closing Date (subject to any stock split, stock combination, reclassification, recapitalization or like event), two (2) Directors designated by Mr. Murray and (B) less than twenty percent (20%) but at least ten percent (10%) of the aggregate number of Shares outstanding as of the Closing Date (subject to any stock split, stock combination, reclassification, recapitalization or like event), one (1) Director designated by Mr. Murray (any such designee, a "Murray Designee").

(ii) So long as Hancock continues to Beneficially Own (A) at least twenty percent (20%) of the aggregate number of Shares outstanding as of the Closing Date (subject to any stock split, stock combination, reclassification, recapitalization or like event), two (2) Directors designated by Mr. Hancock and (B) less than twenty percent (20%) but at least ten percent (10%) of the aggregate number of Shares outstanding as of the Closing Date (subject to any stock split, stock combination, reclassification, recapitalization or like event), one (1) Director designated by Mr. Hancock (any such designee, a "Hancock Designee").

(b) If the number of individuals that any Stockholder has the right to designate is decreased pursuant to Section 2.1(a), then the corresponding Director Designee of such Stockholder may, at his or her option, offer to tender his or her immediate resignation for consideration by the Board or resign from the Board effective at the end of his or her then current term. Notwithstanding anything to the contrary herein, any Director serving on the Board pursuant to the above section may resign at any time regardless of the period of time left in his or her then current term.

(c) If the Issuer's Nominating and Corporate Governance Committee (or a similar committee serving the nominating function) determines in good faith that a designee (i) is not qualified to serve on the Board consistent with such committee's duly adopted policies and procedures applicable to all directors or (ii) does not satisfy applicable legal requirements regarding service as a Director, the applicable designating Stockholder shall have the right to designate a different designee.

(d) Except as provided above and subject to the applicable provisions of the Certificate of Incorporation, each Stockholder shall have the sole and exclusive right to designate a Murray Designee or Hancock Designee, as applicable (serving in the same class as the predecessor), to fill vacancies on the Board pursuant to Section 2.1(a) that are created by reason of death, removal or resignation of such Stockholder's Director Designees, subject to Section 2.1(b) and (c).

(e) Each of the Stockholders shall vote the Shares held directly or indirectly by such Stockholders (whether at a meeting or by consent) and any of their respective Affiliates, to cause the election of the Director Designees designated by the Stockholders, in each case as provided for herein. Each of the Stockholders shall vote (a) if Mr. Hancock shall have directed the removal of any Hancock Designee, for the removal of such Hancock Designee and (b) if Mr. Murray shall have directed the removal of any Murray Designee, for the removal of such Murray Designee. Unless a Stockholder entitled to designate an incumbent Director Designee shall have directed the removal of such Stockholder's Director Designee, all Stockholders shall vote against any proposal to remove any such Director Designee.

(f) The Issuer and its Subsidiaries shall reimburse the Directors for all reasonable out-of-pocket expenses incurred in connection with their attendance at meetings of the Board or the board of directors of any of the Issuer's Subsidiaries, and any committees thereof, including without limitation travel, lodging and meal expenses, in accordance with the Issuer's reimbursement policies.

(g) The Issuer and its Subsidiaries shall obtain customary director and officer indemnity insurance on commercially reasonable terms, which insurance shall cover each member of the Board and the members of each board of directors of any of the Issuer's Subsidiaries. The Issuer and its Subsidiaries shall enter into director and officer indemnification agreements with each Director Designee.

(h) No Person shall take any action that would be inconsistent with or otherwise circumvent the provisions of this Agreement. The Stockholders shall otherwise use their best efforts to cause the Issuer to comply with its obligations hereunder.

Section 2.2. Controlled Company.

(a) The Stockholders agree and acknowledge and agree that, (i) by virtue of this Agreement they are acting as a "group" within the meaning of the Stock Exchange rules as of the date hereof, and (ii) by virtue of the combined voting power of Shares held by the Stockholders of more than fifty percent (50%) of the total voting power of the Issuer, the Issuer shall qualify as a "controlled company" within the meaning of Stock Exchange rules.

(b) So long as the Issuer qualifies as a "controlled company" for purposes of Stock Exchange rules, the Issuer may elect to be a "controlled company" for purposes of Stock Exchange rules and will disclose in its annual meeting proxy statement that it is a "controlled company" and the basis for that determination. If the Issuer ceases to qualify as a "controlled company" for purposes of Stock Exchange rules, the Stockholders and the Issuer will take whatever action may be reasonably necessary in relation to such party, if any, to cause the Issuer to comply with Stock Exchange rules as then in effect within the timeframe for compliance available under such rules.

ARTICLE III
MISCELLANEOUS

Section 3.1. Amendment. The terms and provisions of this Agreement may be modified or amended at any time and from time to time only by the written consent of each party hereto.

Section 3.2. Termination. This Agreement shall automatically terminate upon the earlier of (i) a Change in Control; or (ii) written agreement of each of the Stockholders. In the event of any termination of this Agreement as provided in clauses (i) or (ii) of this Section 3.2, this Agreement shall forthwith become wholly void and of no further force or effect (except for this Article III) and there shall be no liability on the part of any parties hereto or their respective officers or directors, except as provided in this Article III. Notwithstanding the foregoing, no party hereto shall be relieved from liability for any willful breach of this Agreement.

Section 3.3. Non-Recourse. Notwithstanding anything that may be expressed or implied in this Agreement or any document or instrument delivered in connection herewith, by its acceptance of the benefits of this Agreement, the Issuer and each Stockholder covenant, agree and acknowledge that no Person (other than the parties hereto) has any obligations hereunder, and that, to the fullest extent permitted by law, no recourse under this Agreement or any documents or instruments delivered in connection with this Agreement shall be had against any Stockholder or of any Affiliate or assignee thereof, whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any statute, regulation or other applicable Law, it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any Stockholder or any Affiliate, agent or assignee thereof, as such for any obligation of any Stockholder under this Agreement or any documents or instruments delivered in connection with this Agreement for any claim based on, in respect of or by reason of such obligations or their creation.

Section 3.4. No Third Party Beneficiaries. This Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their permitted assigns and successors, and, except as provided in Section 3.3, nothing herein, express or implied, is intended to or shall confer upon any other Person or entity, any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 3.5. Recapitalizations; Exchanges, Etc. The provisions of this Agreement shall apply to the full extent set forth herein with respect to Shares, to any and all shares of capital stock of the Issuer or any successor or assign of the Issuer (whether by merger, consolidation, sale of assets or otherwise) which may be issued in respect of, in exchange for, or in substitution of the Shares, by reason of a stock dividend, stock split, stock issuance, reverse stock split, combination, recapitalization, reclassification, merger, consolidation or otherwise.

Section 3.6. Addresses and Notices. Any notice provided for in this Agreement will be in writing and will be either personally delivered, or received by certified mail, return receipt requested, sent by reputable overnight courier service (charges prepaid) or facsimile or electronic mail to the Issuer at the address set forth below and to any other recipient and to any holder of Shares at such address as indicated by the Issuer's records, or at such address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party. Notices will be deemed to have been given hereunder when delivered personally or sent by electronic mail (provided confirmation of such electronic mail is received or such electronic mail is delivered during regular business hours on any Business Day to the respective email addresses below and no bounce-back or error message is received by the sender), three days after deposit in the U.S. mail and one day after deposit with a reputable overnight courier service. If notice is given to the Issuer or to the Stockholders, a copy shall be sent to such party at the addresses set forth below:

(x) if to the Issuer, to:

PACS Group, Inc.
262 N. University Ave.
Farmington, Utah 84025
Attention: Nominating and Corporate Governance Committee

with a copy (which shall not constitute written notice) to:

Latham & Watkins LLP
650 Town Center Drive, 20th Floor
Costa Mesa, CA 92626
Attention: B. Shayne Kennedy and J. Ross McAloon

with a copy (which shall not constitute notice) to each of Mr. Murray and Mr. Hancock as specified below;

(y) if to Mr. Murray, to:

PACS Group, Inc.
262 N. University Ave.
Farmington, Utah 84025
Attention: Jason Murray

(z) if to Mr. Hancock, to:

PACS Group, Inc.
262 N. University Ave.
Farmington, Utah 84025
Attention: Mark Hancock

Section 3.7. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 3.8. Waiver. No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or any other covenant, duty, agreement or condition.

Section 3.9. Counterparts. This Agreement may be executed in separate counterparts, each of which will be an original and all of which together shall constitute one and the same agreement binding on all the parties hereto.

Section 3.10. Applicable Law; Waiver of Jury Trial. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware. The parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby (whether brought by any party or any of its Affiliates or against any party or any of its Affiliates) shall be brought in the Court of Chancery of the State of Delaware (or in the event, but only in the event, that such court does not have subject matter jurisdiction over such action or proceeding, the Superior Court of the State of Delaware (Complex Commercial Division) or, if subject matter jurisdiction over the action or proceeding is vested exclusively in the federal courts of the United States of America, the United States District Court for the District of Delaware) and each of the parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 3.11. Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or the effectiveness or validity of any provision in any other jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

Section 3.12. Delivery by Electronic Transmission. This Agreement and any signed agreement or instrument entered into in connection with this Agreement or contemplated hereby, and any amendments hereto or thereto, to the extent signed and delivered by means of electronic transmission (i.e., in portable document format), shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such agreement or instrument, each other party hereto or thereto shall re-execute original forms thereof and deliver them to all other parties. No party hereto or to any such agreement or instrument shall raise the use of electronic transmission to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of electronic transmission as a defense to the formation of a contract and each such party forever waives any such defense.

Section 3.13. Entire Agreement. This Agreement, together with the Registration Rights Agreement, and all of the other exhibits, annexes and schedules hereto and thereto constitute the entire understanding and agreement between the parties as to restrictions on the transferability of Shares and the other matters covered herein and therein and supersede and replace any prior understanding, agreement between the parties as to restrictions on the transferability of Shares and the other matters covered herein and therein and supersede and replace any prior understanding, agreement or statement of intent, in each case, written or oral, of any and every nature with respect thereto. In the event of any inconsistency between this Agreement and any agreement executed or delivered to effect the purposes of this Agreement, this Agreement shall govern as among the parties hereto.

Section 3.14. Remedies. The Issuer and the Stockholders shall be entitled to enforce their rights under this Agreement specifically, to recover damages by reason of any breach of any provision of this Agreement (including, without limitation, costs of enforcement) and to exercise all other rights existing in their favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement, and that the Issuer or any Stockholder may in its sole discretion apply to any court of law or equity of competent jurisdiction for specific performance or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of the provisions of this Agreement. All remedies, either under this Agreement or by Law or otherwise afforded to any party, shall be cumulative and not alternative. All obligations hereunder shall be satisfied in full without set-off, defense or counterclaim.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

PACS GROUP, INC.

By: ____
Name:
Title:

STOCKHOLDER

By: ______________________________
Name: Jason Murray

STOCKHOLDER

By: ______________________________

Name: Mark Hancock

Exhibit 4.3

PACS GROUP, INC.
262 N. University Ave.
Farmington, Utah 84025

REGISTRATION RIGHTS AGREEMENT

April [●], 2024

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PACS GROUP, INC.

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (as amended from time to time, this "**Agreement**"), dated April [●], 2024 (the "**Effective Date**")**,** is executed by and among PACS Group, Inc., a Delaware corporation (the "**Company**")**,** and the persons identified on Exhibit A (each, an "**Investor**" and, collectively, the "**Investors**"). The Company and the Investors are each individually referred to in this Agreement as a "**Party**," and are collectively referred to in this Agreement as the "**Parties.**" Otherwise undefined capitalized terms used in this Agreement are defined in Section 4.1.

Section 1

Registration Rights

1.1 Requested Registration.

(a) Registration Request. At any time or times beginning on the 180th day after the first closing of the Company's initial public offering of Common Stock, if the Company will receive from Initiating Holders a written request (the "**Initial Request**") that the Company register all or a part of the Registrable Securities and if such Registrable Securities registration is anticipated to result in an aggregate offering price to the public in excess of $10,000,000, then the Company will:

(i) give written notice of the proposed registration to all other Holders within 10 days of the receipt thereof from such Initiating Holders (the "**Registration Notice**"); and

(ii) as soon as practicable, and in any event within 90 days of the receipt of such request, use the Company's best efforts to effect such registration (including filing post-effective amendments, receiving appropriate qualifications under applicable blue sky laws or other state securities laws, and complying appropriately with the Securities Act) so as to permit or facilitate the sale and distribution of all or such portion of such Registrable Securities that are specified in the Initial Request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in the Initial Request as are specified in a written request received by the Company within 20 days after the Company mails or delivers the Registration Notice. Notwithstanding anything to the contrary in this Agreement, if the registration requested is to be an underwritten offering and if the underwriters have not limited the number of Registrable Securities to be underwritten, then the Company will be entitled, at the Company's sole election, to join in any such registration with respect to securities to be offered by the Company or by any other person or entity.

(b) Registration Request Limitations. Notwithstanding anything to the contrary in this Agreement, the Company will not be obligated to effect, or to take any action to effect, any such registration pursuant to Section 1.1(a):

(i) in any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, qualification, or compliance, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(ii) after the Company has initiated two (2) such registrations pursuant to Section 1.1(a) (counting for these purposes only (A) registrations that have been declared or ordered effective and pursuant to which securities have been sold and (B) registrations that have been withdrawn by the Holders as to which the Holders have exercised a Demand Forfeiture pursuant to Section 1.3);

(iii) during the time period starting with the effective date of a Company-initiated registration and ending on the date that is 180 days after such effective date; provided that, in each such case, the starting date for such time period will begin on the date that is 90 days before the Company's good faith estimate of the filing date for a Company-initiated registration if the Company has delivered, within 30 days after receiving the Initial Request, written notice to the Holders specifying that the Company intends to file a registration statement for an initial public offering within 90 days after receiving the Initial Request;

(iv) if the Initiating Holders propose to dispose of shares of Registrable Securities that may be immediately registered on Form S-3 pursuant to a request made under Section 1.4; or

(v) if (A) in the good faith judgment of the Company's Board of Directors, such registration would be detrimental to the Company and the Company's Board of Directors concludes, as a result, that the best interests of the Company and the Company's stockholders require the Company to defer filing such registration statement at such time, and (B) the Company will furnish to such Holders a certificate signed by the Company's Chief Executive Officer stating that, in the good faith judgment of the Company's Board of Directors, filing such registration statement in the near future would be detrimental to the Company and that, therefore, the Company's best interests require the Company to defer the filing of such registration statement; provided that the Company will have the right to defer such filing (except as provided in Section 1.1(b)(iii)) for a period of not more than 90 days after the Company receives the Initial Request in accordance with Section 1.1(a); and provided further that the Company will not defer the Company's registration obligation in this manner more than once in any consecutive twelve month period.

(c) Participation. Subject to Section 1.1(e), the registration statement filed pursuant to the Initiating Holders' request may include other Company securities with respect to which registration rights have been granted, and may include Company Securities being sold for the Company's account.

(d) Underwriting. If the requested registration is an underwritten offering, any Holder's right to registration pursuant to Section 1.1 will be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by the Initiating Holders holding at least two-thirds of the Registrable Securities held by all Initiating Holders and by such Holder with respect to such participation and inclusion) to the extent provided in this Agreement. A Holder may elect to include in such underwriting all or a part of the Registrable Securities held by such Holder.

(e) Inclusion of Other Securities.

(i) In any registration pursuant to Section 1.1, if the Company will request inclusion of securities being sold for the Company's own account, or if other persons will request inclusion in any registration pursuant to Section 1.1, then the Initiating Holders will, on behalf of all Holders, offer to include such securities in the underwriting and may condition such offer on acceptance by the Company and/or such other persons (as applicable) of the further applicable provisions of this Section 1 (including Section 1.11). If the requested registration is an underwritten offering, then the Company will (together with all Holders and other persons proposing to distribute securities held by such Holders and/or such other persons (as applicable) through such underwriting) enter into an underwriting agreement in customary form with the representative of the underwriter or underwriters selected for such underwriting by the Initiating Holders holding at least two-thirds of the Registrable Securities held by all Initiating Holders, which underwriters will be reasonably acceptable to the Company.

(ii) Notwithstanding any other provision of this Section 1.1, but subject to the next sentence of this Section 1.1(e), if the underwriter advises the Company that marketing factors require a limitation of the number of securities underwritten (including Registrable Securities), then the Company will so advise all Holders that would otherwise be included in such underwriting pursuant to this Section 1.1, and the number of shares that may be included in the underwriting will be allocated to the Holders on a pro-rata basis based on the number of Registrable Securities held by all such Holders (including the Initiating Holders). Notwithstanding any of the foregoing provisions in this Section 1.1, in no event will any Registrable Securities held by the Initiating Holders be excluded from such underwriting, unless all other securities are first categorically excluded. Any Registrable Securities excluded or withdrawn from such underwriting will be withdrawn from the registration.

1.2 Company Registration.

(a) If the Company, in its sole discretion, will determine to register any of the Company's securities, either for the Company's own account or for the account of a Holder or Holders exercising their respective demand registration rights (other than pursuant to Section 1.1, other than pursuant to Section 1.4, other than a registration relating solely to employee benefit plans, other than a registration relating to the offer and sale of debt securities, other than a registration relating to a corporate reorganization or other transaction on Form S-4 , and other than a registration on any registration form that does not permit secondary sales), then the Company will:

(i) promptly give to each Holder written notice of the Company's intention to register such Company securities (the "**Company Notice**"); and

(ii) use the Company's commercially reasonable efforts to include in such registration (and any related qualification under blue sky laws or other compliance), except as set forth in Section 1.2(b), and in any underwriting involved in such registration, all the Registrable Securities specified in a written request or requests made by any Holder and received by the Company within 20 days after the Company mailed or delivered the Company Notice to such Holder. Such written request may specify all or a part of a Holder's Registrable Securities.

(b) Underwriting. If the registration for which the Company gives notice is for a registered public offering involving an underwriting, then the Company will so advise the Holders as a part of the Company Notice. In such event, any Holder's right to registration pursuant to this Section 1.2 will be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided in this Agreement. All Holders proposing to distribute such Holders' securities through such underwriting will (together with the Company and the other holders of Company securities with registration rights to participate in such underwriting and distributing such other holders' securities through such underwriting) enter into an underwriting agreement in customary form with the representative of the underwriter or underwriters selected by the Company.

(c) Pro Rata Allocation and Inclusion of Other Securities.

(i) Notwithstanding any other provision of this Section 1.2, if an underwriters' representative, in its sole discretion, determines that less than all of the Registrable Securities requested to be registered can be included in such offering, then the Registrable Securities that are included in such offering will be apportioned pro rata among the selling Holders based on the number of Registrable Securities held by all selling Holders or in such other proportions as all such selling Holders will mutually agree. Notwithstanding the foregoing, in no event will the amount of the selling Holders' securities included in the offering be reduced below 30% of the total amount of Securities included in such offering.

(ii) No securities held by any selling Holder will be excluded from such offering pursuant to this Section 1.2(c) unless all shares proposed to be sold by any other stockholder are first excluded from such offering; provided that no such exclusion will be required if such other stockholder receives the prior written consent of the holders of two-thirds of the Registrable Securities.

(d) Withdrawn Securities. If any person does not agree to the terms of any such underwriting, then such person will be excluded from such underwriting by written notice from the Company or an underwriters' representative. Any Registrable Securities or other securities excluded or withdrawn from such underwriting will also be withdrawn from such registration. To facilitate the allocation of shares in accordance with the foregoing provisions, the Company or the underwriter(s) may round the number of shares allocated to any Holder to the nearest 100 shares. If shares are so withdrawn from the registration and if the number of shares of Registrable Securities to be included in such registration was previously reduced as a result of marketing factors, then the Company will then offer to all persons who have retained the right to include securities in the registration the right to include additional securities in the registration in an aggregate amount equal to the number of shares so withdrawn, with such shares to be allocated among the persons requesting additional inclusion in accordance with Section 1.2(c).

(e) Right to Terminate Registration. The Company will have the right to terminate or withdraw any registration initiated by the Company under this Section 1.2 before such registration becomes effective, regardless of whether any Holder has elected to include securities in such registration. The Company will pay the expenses for any such terminated or withdrawn registration pursuant to Section 1.3.

1.3 Registration Expenses. The Company will pay for all Registration Expenses (exclusive of any underwriting discounts and commissions) incurred in connection with any registration, qualification, or compliance pursuant to Section 1.1, Section 1.2, and Section 1.4 and for the reasonable and documented fees of one counsel for the selling stockholders (such fees not to exceed $35,000.00). Notwithstanding the foregoing, the Company will not be required to pay for any expenses of any registration, qualification, or compliance begun pursuant to Section 1.1 if the registration request is subsequently withdrawn at the request of the Holders of two-thirds of the Registrable Securities to be registered (in which case all participating Holders will bear such expenses pro-rata based upon the number of Registrable Securities that were to be requested in the withdrawn registration); provided, however, that, if at the time of such withdrawal, the Holders have learned of a material adverse change in the Company's condition, business, or prospects from that known to the Holders at the time of their request and have withdrawn the request with reasonable promptness after learning of such material adverse change, then the Holders will not be required to pay any of such expenses and will retain their rights pursuant to Section 1.1, if any. Notwithstanding anything to the contrary in this Section 1.3, if (a) the Holders have withdrawn a registration pursuant to this Section 1.3, (b) the Holders would otherwise be required to pay all Registration Expenses for such withdrawn registration pursuant to this Section 1.3, (c) at least one demand registration remains available to the Holders pursuant to Section 1.1, and (d) the Holders of two-thirds of all Registrable Securities agree to forfeit all Holders' right to one demand registration pursuant to Section 1.1 (a "**Demand Forfeiture**"), then the Company will pay all Registration Expenses for such withdrawn registration. All Selling Expenses relating to Securities so registered will be borne by the holders of such securities pro-rata on the basis of the number of shares of securities so registered on such holders' behalf, as will any other expenses in connection with the registration required to be paid by the holders of such securities.

1.4 Registration on Form S-3.

(a) Form S-3 Registration Obligation. After the Company's initial public offering, the Company will use the Company's commercially reasonable efforts to qualify for registration on Form S-3 or any comparable or successor form or forms. After the Company has qualified for the use of Form S-3, in addition to the rights contained in the foregoing provisions of this Section 1, any Holder or Holders will have the right to request registrations on Form S-3 (such requests will be in writing and will state the number of shares of Registrable Securities to be disposed of and the intended methods of disposition of such shares by such Holder or Holders); provided that the Company will not be obligated to effect any such registration (i) if such requesting Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) on Form S-3 at an aggregate price to the public of less than $1,000,000, (ii) in the circumstances described in Section 1.1(b)(i) or Section 1.1(b)(iii), or (iii) if the Company will furnish the certification described in Section 1.1(b)(v) (but subject to the frequency limitation set forth in Section 1.1(b)(v)).

(b) Other Applicable Provisions. If a request complying with the requirements of Section 1.4(a) is delivered to the Company, then the provisions of Section 1.1(a)(i), Section 1.1(a)(ii), and Section 1.1(b)(v) will apply to such registration. If the registration is for an underwritten offering, then the provisions of Section 1.1(d) and Section 1.1(e) also will apply to such registration.

1.5 Registration Procedures. In the case of each registration made effective by the Company pursuant to Section 1, the Company will keep each Holder advised in writing as to the initiation of each registration and as to the completion of each registration. At the Company's expense, the Company will use the Company's commercially reasonable efforts to:

(a) keep such registration effective for a period of 90 days or until the Holder or Holders have completed the distribution described in the registration statement relating such registration, whichever occurs first;

(b) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement;

(c) furnish such number of prospectuses and other documents incident to such prospectus, including any prospectus amendment or prospectus supplement, as a Holder from time to time may reasonably request;

(d) register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as will be reasonably requested by the Holders; provided that the Company will not be required, in connection with any such registration and qualification or as a condition to any such registration and qualification, to qualify to do business or to file a general consent to service of process in any such states or jurisdictions;

(e) notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating to such registration statement is required to be delivered under the Securities Act or the occurrence of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(f) provide a transfer agent and registrar for all Registrable Securities registered pursuant to this Agreement and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration;

(g) cause all such Registrable Securities registered pursuant to this Agreement to be listed on each securities exchange on which similar securities issued by the Company are then listed; and

(h) in connection with any underwritten offering pursuant to a registration statement filed pursuant to Section 1.1, the Company will enter into an underwriting agreement in form reasonably necessary to effect the offer and sale of Common Stock; provided that such underwriting agreement contains reasonable and customary provisions; and provided further that each Holder participating in such underwriting will also enter into and perform such Holder’s obligations under such an agreement.

1.6 Indemnification.

(a) Company Indemnification. The Company will indemnify and hold harmless each Holder, and each Holder’s officers, directors, partners, legal counsel, and accountants, and each person controlling such Holder within the meaning of Section 15 of the Securities Act with respect to any registration, qualification, or compliance effected pursuant to this Section 1, and each underwriter, if any, and each person who controls, within the meaning of Section 15 of the Securities Act, any underwriter, against all expenses, claims, losses, damages, and liabilities (or actions, proceedings, or settlements in respect of such expenses, claims, losses, damages, and liabilities) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any prospectus, offering circular, or other document (including any related registration statement, notification, or similar document) incident to any such registration, qualification, or compliance, or based on any omission (or alleged omission) to state in such document a material fact required to be stated in such document or necessary to make the statements in such document not misleading, or any violation by the Company of the Securities Act and any applicable state securities laws or any rule or regulation under the Securities Act or state securities laws applicable to the Company and relating to action or inaction required of the Company in connection with any such registration, qualification, or compliance, and will reimburse each such Holder, and each of such Holder’s officers, directors, partners, legal counsel, and accountants, and each person controlling such Holder, and each such underwriter, and each person who controls any such underwriter, for any legal and any other expenses reasonably incurred in connection with investigating and defending or settling any such claim, loss, damage, liability, or action; provided that the Company will not be liable in any such case to the extent that any such claim, loss, damage, liability, or expense arises out of or is based on any untrue statement or omission based upon written information furnished to the Company by such Holder or underwriter and stated to be specifically for use in such document. The Parties expressly agree and acknowledge that the indemnity agreement contained in this Section 1.6(a) will not apply to amounts paid in settlement of any such loss, claim, damage, liability, or action if such settlement is effected without the Company's consent (which consent will not be unreasonably withheld).

(b) Holder Indemnification. Each Holder will, if Registrable Securities held by such Holder are included in the securities as to which such registration, qualification, or compliance is being effected, indemnify and hold harmless the Company, and each of the Company's directors, officers, legal counsel, and accountants, and each underwriter, if any, of the Company's securities covered by such a registration statement, and each person who controls the Company or such underwriter within the meaning of Section 15 of the Securities Act, and each other such Holder, and each of their respective officers, directors, and partners, and each person controlling such Holder or other Company stockholder, against all claims, losses, damages, and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such registration statement, prospectus, offering circular, or other document, or any omission (or alleged omission) to state in such document a material fact required to be stated in such document or necessary to make the statements in such document not misleading, and will reimburse the Company, and such Holders, and directors, officers, legal counsel, and accountants, and underwriters, and control persons for any legal or any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability, or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus, offering circular, or other document in reliance upon and in conformity with written information furnished to the Company by such Holder and stated to be specifically for use in such document; provided that such Holder's obligations under this Section 1.6(b) will not apply to amounts paid in settlement of any such claims, losses, damages, or liabilities (or actions in respect of such claims, losses, damages, or liabilities) if such settlement is effected without such Holder's consent (which consent will not be unreasonably withheld); and provided further that in no event will any indemnity under this Section 1.6(b) exceed the Net Proceeds. For purposes of this Section 1.6(b) and Section 1.6(d), the term "**Net Proceeds**," with respect to any particular Holder, means the proceeds from the offering received by such Holder after deducting underwriters' commissions, discounts, and expenses attributable to the securities sold by such Holder.

(c) Indemnification Procedures. Each Party entitled to indemnification under this Section 1.6 (the "**Indemnified Party**") will give notice to the Party required to provide indemnification (the "**Indemnifying Party**") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and will permit the Indemnifying Party to assume the defense of such claim or any litigation resulting from such claim, provided that counsel for the Indemnifying Party, who will conduct the defense of such claim or any litigation resulting from such claim, will be approved by the Indemnified Party (whose approval will not be unreasonably withheld), and the Indemnified Party may participate in such defense at such Indemnified Party's expense. Notwithstanding the foregoing, any Indemnified Party's failure to give notice as provided in this Section 1.6(c) will not relieve the Indemnifying Party of the Indemnifying Party's obligations under this Section 1.6 to the extent such failure is not prejudicial. No Indemnifying Party, in the defense of any such claim or litigation, will, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement that does not include as an unconditional term of such judgment or such settlement the claimant's or plaintiff's release of such Indemnified Party from all liability in respect to such claim or litigation. Each Indemnified Party will furnish such information regarding such Indemnified Party or the claim in question as an Indemnifying Party may reasonably request in writing and as will be reasonably required in connection with defense of such claim and litigation resulting from such claim.

(d) Indemnification Unavailability. If the indemnification provided for in this Section 1.6 is held by a court of competent jurisdiction to be unavailable to an Indemnified Party with respect to any loss, liability, claim, damage, or expense referred to in this Section 1.6, then the Indemnifying Party, instead of indemnifying such Indemnified Party under Section 1.6(a) or Section 1.6(b), will contribute to the amount paid or payable by such Indemnified Party as a result of such loss, liability, claim, damage, or expense in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party, on the one hand, and of the Indemnified Party, on the other hand, in connection with the statements or omissions that resulted in such loss, liability, claim, damage, or expense as well as any other relevant equitable considerations; provided, however, that in no event will any contribution by a Holder under this Section 1.6(d) exceed the Net Proceeds (as defined in Section 1.6(b)). The relative fault of the Indemnifying Party and of the Indemnified Party will be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the Indemnifying Party or by the Indemnified Party and the Parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

(e) Underwriting Agreement Conflict. Notwithstanding the foregoing provisions of this Section 1.6, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions of this Section 1.6, the provisions in the underwriting agreement will control.

1.7 Information by Holder. Each Holder will furnish to the Company such information regarding such Holder and the distribution proposed by such Holder as the Company may reasonably request in writing and as will be reasonably required in connection with any registration, qualification, or compliance referred to in this Section 1.

1.8 Subsequent Registration Rights Limitation. Except for rights granted by the Company's Board of Directors to banks or similar financial institutions in connection with lending arrangements (which rights shall not be senior to, nor more favorable than, the rights of

Holders hereunder), from and after the Effective Date, the Company will not, without the prior written consent of at least two-thirds of the Registrable Securities of the Holders, enter into any agreement with any holder or prospective holder of any Company securities that gives such holder or prospective holder any registration rights with terms that are more favorable than, or equivalent to, the registration rights granted to the Holders under this Agreement.

1.9 Rule 144 Reporting. With a view to making available to the Holders the benefits of Rule 144 promulgated under the Securities Act and any other rule or regulation of the Commission that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company agrees to use its best efforts to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144, at all times after 90 days after the effective date of the first registration statement filed by the Company for the offering of its securities to the general public so long as the Company remains subject to the periodic reporting requirements under Section 13 or 15(d) of the Exchange Act;

(b) take such action, including the voluntary registration of its Common Stock under Section 12 of the Exchange Act, as is necessary to enable the Holders to utilize Form S-3 for the sale of their Registrable Securities, such action to be taken as soon as practicable after the end of the fiscal year in which the first registration statement filed by the Company for the offering of its securities to the general public is declared effective;

(c) file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(d) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of Rule 144 (at any time after 90 days after the effective date of the first registration statement filed by the Company), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the Commission which permits the selling of any such securities without registration or pursuant to Form S-3.

1.10 Registration Rights Transfers and Assignments. The Holder's rights to cause the Company to register securities under this Section 1 may be transferred or assigned only by a Holder (a) if such transfer is made to such Holder's family member or trust for the benefit of an individual Holder, (b) if such transfer is made to an affiliate of the Holder, and (c) to any transferee who validly acquires at least 50,000 shares of Registrable Securities; provided that, in each case, the Company is given written notice at the time of or within a reasonable time after such transfer or assignment, stating the name and address of the transferee or assignee and identifying the securities with respect to which such registration rights are being transferred or assigned; and provided further that the transferee or assignee of such rights assumes in writing such Holder's obligations under this Section 1.

1.11 Registration Delay. No Holder will have any right to take any action to restrain, enjoin, or otherwise delay any registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 1.

1.12 Registration Rights Termination. Any Holder's right to request registration or inclusion in any registration pursuant to Section 1.1, Section 1.2, or Section 1.4 will terminate on the seventh anniversary of the effective date of an initial public offering.

Section 2

Miscellaneous.

2.1 Certain Definitions. As used in this Agreement, the following terms have the meanings specified below:

(a) "**Agreement**" is defined in the first paragraph of this Agreement.

(b) "**Change of Control**" means either (i) the acquisition of the Company by another entity by means of any transaction or series of related transactions to which the Company is a party (including, without limitation, any stock acquisition, reorganization, merger, or consolidation, but excluding any such transaction if the primary purpose of such transaction is to change the Company's domicile, and excluding any equity financing the primary purpose of which is to raise operating capital for the Company) that results in a transfer of at least a majority of the total voting power represented by the Company's voting securities before such acquisition; or (ii) a sale, lease, or other conveyance of all or substantially all of the Company's assets.

(c) "**Commission**" means the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

(d) "**Company Notice**" is defined in Section 1.2(a)(i).

(e) "**Effective Date**" is defined in the first paragraph of this Agreement.

(f) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended, or any similar successor federal statute and the rules and regulations thereunder, all as in effect from time to time.

(g) "**Holder**" means any Investor, together with such Investor's affiliates, who holds Registrable Securities and any holder of Registrable Securities to whom the registration rights conferred by this Agreement have been transferred in compliance with Section 1.10.

(h) "**Indemnified Party**" is defined in Section 1.6(c).

(i) "**Indemnifying Party**" is defined in Section 1.6(c).

(j) "**Initial Request**" is defined in Section 1.1(a).

(k) "**Initiating Holders**" means, as of any particular time, any Holder or Holders who, in the aggregate and at such time, hold at least two-thirds of the outstanding Registrable Securities.

(l) "**Investor**" is defined in the first paragraph of this Agreement.

(m) "**Investors**" is defined in the first paragraph of this Agreement.

(n) "**Parties**" and "**Party**" are defined in the first paragraph of this Agreement.

(o) "**Person**" means an individual, a corporation, a partnership, a trust or unincorporated organization or any other entity or organization.

(p) "**Register**," "**registered**," "**registration**," and derivatives of such terms refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act and applicable rules and regulations thereunder, and the declaration or order that such registration statement is effective.

(q) "**Registrable Securities**" means (i) shares of Common Stock issuable or issued pursuant to the conversion of the Shares and (ii) any Common Stock issued as a dividend or other distribution with respect to or in exchange for or in replacement of the shares referenced in clause (i) immediately above. Notwithstanding the foregoing, Registrable Securities shall not include any securities (i) sold by a person to the public either pursuant to a registration statement or Rule 144, (ii) sold in a private transaction in which the transferor's rights under Section 1 of this Agreement are not assigned or (iii) held by a Holder (together with its affiliates) if such Holder (together with its affiliates) holds less than 1% of the Company's outstanding Common Stock (treating all shares of Preferred Stock on an as converted basis), the Company has completed an initial public offering of its Common Stock, and all shares of Common Stock of the Company issuable or issued upon conversion of the Shares held by and issuable to such Holder (and its affiliates) may then be sold pursuant to Rule 144 during the immediately subsequent ninety- (90-) day period.

(r) "**Registration Expenses**" means all expenses incurred in effecting any registration pursuant to this Agreement, including all registration, qualification, and filing fees, printing expenses, escrow fees, fees and disbursements of counsel for the Company, blue sky fees and expenses, and expenses of any regular or special audits incident to or required by any such registration, but will not include Selling Expenses, fees and disbursements of counsel for the Holders, and the compensation of regular Company employees, which will be paid in any event by the Company.

(s) "**Registration Notice**" is defined in Section 1.1(a)(i).

(t) "**Rule 144**" means Rule 144 as promulgated by the Commission under the Securities Act, as Rule 144 may be amended from time to time, or any similar successor rule that may be promulgated by the Commission.

(u) "**Securities Act**" means the Securities Act of 1933, as amended, or any similar successor federal statute and the rules and regulations thereunder, all as in effect from time to time.

(v) "**Selling Expenses**" means all underwriting discounts, selling commissions, and stock transfer taxes applicable to the sale of Registrable Securities and fees and disbursements of counsel for any Holder (other than the fees and disbursements of counsel included in Registration Expenses).

2.2 Amendment. Except as otherwise expressly provided in this Agreement, neither this Agreement nor any term of this Agreement may be amended, waived, discharged, or terminated other than by a written instrument referencing this Agreement and signed by the Company and the Holders holding at least two-thirds of the Registrable Securities (excluding any of such shares that have been sold to the public or pursuant to Rule 144). Any such amendment, waiver, discharge, or termination effected in accordance with this Section 2.2 will be binding upon each Holder and each future holder of all such Holder's securities. Each Investor acknowledges that, by the operation of this Section 2.2, Holders holding at least two-thirds of the Registrable Securities (excluding any of such shares that have been sold to the public or pursuant to Rule 144) will have the right and power to diminish or eliminate all rights of such Investor under this Agreement. In addition, the Company may waive performance of any obligation owing to the Company as to some or all of the Holders, or agree to accept alternatives to such performance, without receiving the consent of any Holder. If an underwriting agreement contains terms differing from this Agreement, then, as to each Holder, the terms of such underwriting agreement will govern.

2.3 Notices. All notices and other communications required or permitted under this Agreement will be in writing and will be mailed by registered or certified mail, postage prepaid, sent by facsimile, sent by electronic mail, or otherwise delivered by hand or by messenger addressed;

(a) if to an Investor, at the Investor's address, facsimile number, or electronic mail address as set forth on Exhibit A, as may be updated in accordance with the provisions of this Agreement;

(b) if to any other holder of any Company securities, at such address, facsimile number, or electronic mail address as shown in the Company's records, or, until any such holder so furnishes an address, facsimile number, or electronic mail address to the Company, then to and at the address of the last holder of such Company securities for which the Company has contact information in the Company's records; or

(c) if to the Company, one copy to the address or facsimile number set forth on the cover page of this Agreement and addressed to the attention of the President, or at such other address or facsimile number as the Company will have furnished to the Investors.

(d) Electronic Mail Notice. With respect to any notice given by the Company under any provision of the Delaware General Corporation Law or the Company's Certificate of Incorporation or the Company's Bylaws, each Investor agrees that such notice may given by electronic mail; provided, however, that all such notices by any Party will be made in compliance with the applicable Delaware General Corporation Law requirements and that any such notice may be subsequently withdrawn by any Party in a manner consistent with Delaware General Corporation Law.

(e) Notice Effectiveness. Each such notice or other communication will, for all purposes of this Agreement be treated as effective or having been given when delivered if delivered personally, or, if sent by mail, at the earlier of its receipt or 72 hours after such communication has been deposited in a regularly maintained receptacle for the deposit of the United States mail, addressed and mailed as specified above or, if sent by facsimile, upon confirmation of facsimile transfer or, if sent by electronic mail, when directed to the electronic mail address set forth on Exhibit A.

2.4 Governing Law. This Agreement and any controversy arising out of or relating to this Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware, without regard to Delaware's conflicts of law principles.

2.5 Successors and Assigns. This Agreement, and any and all rights, duties, and obligations under this Agreement, will not be assigned, transferred, delegated, or sublicensed by any Investor without the Company's prior written consent, except by an Investor (i) that is a partnership if such assignment or transfer is made to such Investor's partners or retired partners in accordance with partnership interests, (ii) that is a corporation if such assignment or transfer is made to such corporation's stockholders in accordance with such stockholders' interest in such corporation, (iii) that is a limited liability company if such assignment or transfer is made to such limited liability company's members or former members in accordance with such members' interest in the limited liability company, or (v) if such assignment or transfer is made to an affiliate of the Investor (including, in the case of a venture capital fund, other venture capital funds affiliated with such fund). Any attempt by an Investor without such prior written consent to assign, transfer, delegate, or sublicense any rights, duties, or obligations that arise under this Agreement will be void. Subject to the foregoing and except as otherwise provided in this Agreement, the provisions of this Agreement will inure to the benefit of, and be binding upon, the Parties' successors, assigns, heirs, executors, and administrators.

2.6 Entire Agreement. This Agreement and the exhibit to this Agreement constitute the full and entire understanding and agreement between the Parties with regard to the subjects of this Agreement. No Party will be liable or bound to any other Party in any manner with regard to the subjects hereof or thereof by any warranties, representations, or covenants except as specifically set forth in this Agreement.

2.7 Delays or Omissions. Except as expressly provided in this Agreement, no delay or omission to exercise any right, power, or remedy accruing to any Party to this Agreement upon any breach or default of any other Party under this Agreement will impair any such right, power, or remedy of such non-defaulting Party, nor will such delay or omission be construed to be a waiver of any such breach or default, or an acquiescence in any such breach or default, or of or in any similar subsequent breach or default, nor will any waiver of any single breach or default be deemed a waiver of any other previous or subsequent breach or default. Any waiver, permit, consent, or approval of any kind or character by any Party with respect to any breach or default under this Agreement, or any waiver by any Party of any provisions or conditions of this Agreement must be in writing and will be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any Party to this Agreement, will be cumulative and not alternative.

2.8 Severability. Unless otherwise expressly provided in this Agreement, the Investors' rights under this Agreement are several rights, and not rights jointly held with any of the other Investors. If any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable, or void, then this Agreement will continue in full force and effect without such illegal, unenforceable, or void provision, and the Parties agree to negotiate, in good faith, a legal and enforceable substitute provision which most nearly effects the Parties' intent in entering into this Agreement.

2.9 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement. All references in this Agreement to sections, paragraphs, and exhibits will, unless otherwise provided, refer to sections and paragraphs of this Agreement and exhibits attached to this Agreement.

2.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be enforceable against the Parties that execute such counterparts, and all of which together will constitute one instrument.

2.11 Telecopy Execution and Delivery. A facsimile, telecopy, or other reproduction of this Agreement may be executed by one or more Parties, and an, executed copy of this Agreement may be delivered by one or more Parties by facsimile or similar electronic transmission device pursuant to which the signature of or on behalf of such Party can be seen, and such execution and delivery will be considered valid, binding, and effective for all purposes. At any Party's request, all Parties agree to execute an original of this Agreement as well as any facsimile, telecopy, or other reproduction of this Agreement.

2.12 Jurisdiction: Venue. With respect to any disputes arising out of or related to this Agreement, the Parties consent to the exclusive jurisdiction of, and venue in, the state courts located in Delaware (or, in the event of exclusive federal jurisdiction, the courts of the District of Delaware).

2.13 Jury Trial. EACH OF THE PARTIES IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY

IN ANY LEGAL PROCEEDING (WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE) ARISING OUT OF OR RELATED TO THIS AGREEMENT.

2.14 Further Assurances. Each Party agrees to execute and deliver, by the proper exercise of its corporate, limited liability company, partnership, or other powers, all such other and additional instruments and documents and do all such other acts and things as may be necessary to more fully effectuate this Agreement.

2.15 Construction. The Parties have participated jointly in negotiating and drafting this Agreement. If any ambiguity, question of intent, or question of interpretation arises with respect to this Agreement, then this Agreement will be construed as if drafted jointly by the Parties, and no presumption or burden of proof will arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. As used in this Agreement, the word "including" means "including, without limitation."

2.16 Termination Upon Change of Control. Except for the rights and obligations set forth in Section 1 above which shall terminate only as set forth in Section 1.13 above, all other rights and obligations under this Agreement (excluding any then-existing obligations) will terminate upon the closing of a Change of Control.

* * * * *

The Parties have executed this Registration Rights Agreement as of the Effective Date.

PACS GROUP, INC.
a Delaware corporation

Jason Murray
Chief Executive Officer

Signature Page to Registration Rights Agreement

INVESTORS:

Jason Murray

By: ___________________________________

Signature Page to Registration Rights Agreement

INVESTORS:

Mark Hancock

By: ___________________________________

Signature Page to Registration Rights Agreement

Exhibit 5.1

650 Town Center Drive, 20th Floor
Costa Mesa, California 92626-1925
Tel: +1.714.540.1235 Fax: +1.714.755.8290
www.lw.com

LATHAM & WATKINS LLP

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Seoul
Silicon Valley
Singapore
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Tokyo
Washington, D.C.

April 1, 2024

PACS Group, Inc.
262 N. University Ave.
Farmington, Utah 84025

Re: Registration Statement No. 333-277893; Initial Public Offering of up to 21,907,500 shares of Common Stock, par value $0.001 per share

To the addressees set forth above:

We have acted as special counsel to PACS Group, Inc., a Delaware corporation (the “ ***Company***”), in connection with the proposed registration of up to 21,907,500 shares (the “***Shares***”) of common stock of the Company, par value $0.001 per share (the “***Common Stock***”), up to 2,857,500 of which may be sold by selling stockholders named in the Registration Statement. The Shares are included in a registration statement on Form S–1 under the Securities Act of 1933, as amended (the “***Act***”), filed with the Securities and Exchange Commission (the “***Commission***”) on March 13, 2024 (File No. 333-277893) (as amended, the “***Registration Statement***”). The term “Shares” shall include any additional shares of common stock registered by the Company pursuant to Rule 462(b) under the Act in connection with the offering contemplated by the Registration Statement. This opinion is being furnished in connection with the requirements of Item 601(b)(5) of Regulation S-K under the Act, and no opinion is expressed herein as to any matter pertaining to the contents of the Registration Statement or related prospectus, other than as expressly stated herein with respect to the issue of the Shares.

As such counsel, we have examined such matters of fact and questions of law as we have considered appropriate for purposes of this letter. With your consent, we have relied upon certificates and other assurances of officers of the Company and others as to factual matters without having independently verified such factual matters. We are opining herein as to the General Corporation Law of the State of Delaware (the “***DGCL***”), and we express no opinion with respect to any other laws.

Subject to the foregoing and the other matters set forth herein, it is our opinion that, as of the date hereof, (i) when the Shares sold by the Company shall have been duly registered on the books of the transfer agent and registrar therefor in the name or on behalf of the purchasers and have been issued by the Company against payment therefor (not less than par value) in the circumstances contemplated by the form of underwriting agreement most recently filed as an exhibit to the Registration Statement, the issue and sale of the Shares by the Company will have been duly authorized by all necessary corporate action of the Company and such Shares will be validly issued, fully paid and nonassessable and, (ii) to the extent any such Shares are sold by selling stockholders named in the Registration Statement, such Shares have been duly authorized by all necessary corporate action of the Company and are validly issued, fully paid and nonassessable. In rendering the foregoing opinion, we have assumed that the Company will comply with all applicable notice requirements regarding uncertificated shares provided in the DGCL.

This opinion is for your benefit in connection with the Registration Statement and may be relied upon by you and by persons entitled to rely upon it pursuant to the applicable provisions of the Act. We consent to your filing this opinion as an exhibit to the Registration Statement and to the reference to our firm in the prospectus under the heading “Legal Matters.” We further consent to the incorporation by reference of this letter and consent into any registration statement filed pursuant to Rule 462(b) with respect to the Shares. In giving such consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission thereunder.

Sincerely,

/s/ Latham & Watkins LLP

PACS GROUP, INC.

NON-EMPLOYEE DIRECTOR COMPENSATION PROGRAM

Eligible Directors (as defined below) on the board of directors (the "***Board***") of PACS Group, Inc. (the "***Company***") shall be eligible to receive cash and equity compensation as set forth in this Non-Employee Director Compensation Program (this "***Program***"). The cash and equity compensation described in this Program shall be paid or be made, as applicable, automatically as set forth herein and without further action of the Board, to each member of the Board who is not an employee of the Company or any of its parents or subsidiaries unless such member is determined by the Board to not be eligible to receive compensation under this Program (each, an "***Eligible Director***") unless such Eligible Director declines the receipt of such cash or equity compensation by written notice to the Company.

This Program shall become effective upon the closing of the initial public offering of the Company's common stock (the "***Effective Date***") and shall remain in effect until it is revised or rescinded by further action of the Board. This Program may be amended, modified or terminated by the Board at any time in its sole discretion. No Eligible Director shall have any rights hereunder, except with respect to equity awards granted pursuant to Section 2 of this Program.

1. Cash Compensation.

a. Annual Retainers. Each Eligible Director shall be eligible to receive an annual cash retainer of $80,000 for service on the Board.

b. Additional Annual Retainers. An Eligible Director shall be eligible to receive the following additional annual retainers, as applicable:

(i) Audit Committee Chair. An Eligible Director serving as Chair of the Audit Committee shall be eligible to receive an additional annual retainer of $25,000 for such service.

(ii) Audit Committee Member. An Eligible Director serving as a non-Chair member of the Audit Committee shall be eligible to receive an additional annual retainer of $12,500 for such service.

(iii) Compensation Committee Chair. An Eligible Director serving as Chair of the Compensation Committee shall be eligible to receive an additional annual retainer of $17,500 for such service.

(iv) Compensation Committee Member. An Eligible Director serving as a non-Chair member of the Compensation Committee shall be eligible to receive an additional annual retainer of $8,750 for such service.

(v) Nominating and Corporate Governance Committee Chair. An Eligible Director serving as Chair of the Nominating and Corporate Governance Committee shall be eligible to receive an additional annual retainer of $15,000 for such service.

(vi) Nominating and Corporate Governance Committee Member. An Eligible Director serving as a non-Chair member of the Nominating and Corporate Governance Committee shall be eligible to receive an additional annual retainer of $7,500 for such service.

c. Payment of Retainers. The annual cash retainers described in Sections 1(a) and 1(b) shall be earned on a quarterly basis based on a calendar quarter and shall be paid by the Company in arrears not later than 30 days following the end of each calendar quarter. In the event an Eligible Director does not serve as a director, or in the applicable positions described in Section 1(b), for an entire calendar quarter, the retainer paid to such Eligible Director shall be prorated for the portion of such calendar quarter actually served as a director, or in such position, as applicable.

2. Equity Compensation.

a. General. Eligible Directors shall be granted the equity awards described below. The awards described below shall be granted under and shall be subject to the terms and provisions of the Company's 2024 Incentive Award Plan or any other applicable Company equity incentive plan then-maintained by the Company (such plan, as may be amended from time to time, the "***Equity Plan***") and may be granted subject to the execution and delivery of award agreements, including attached exhibits, in substantially the forms approved by the Board prior to or in connection with such grants. All applicable terms of the Equity Plan apply to this Program as if fully set forth herein, and all grants of equity awards hereby are subject in all respects to the terms of the Equity Plan. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Equity Plan.

b. Initial Awards. Each Eligible Director who is initially elected or appointed to serve on the Board after the Effective Date automatically shall be granted a Restricted Stock Unit award (the "***Initial Equity Award***"). The number of Restricted Stock Units subject to an Initial Equity Award will be determined by dividing the Pro-Rated Value by the closing price for the Company's common stock on the applicable grant date. The Initial Equity Award shall be granted on the date on which such Eligible Director is appointed or elected to serve on the Board, and shall vest in full on the earlier to occur of (i) the one-year anniversary of the applicable grant date and (ii) the date of the next Annual Meeting following the grant date, subject to such Eligible Director's continued service through the applicable vesting date. The "***Pro-Rated Value***" shall equal $160,000, multiplied by a fraction, (i) the numerator of which is the difference between 365 and the number of days from the immediately preceding Annual Meeting date (or the Effective Date, if there is no preceding Annual Meeting date) through the appointment or election date and (ii) the denominator of which is 365; provided, that, the amount with respect to clause (i) shall not exceed 365 days.

c. Annual Awards. An Eligible Director who is serving on the Board as of the date of the annual meeting of the Company's stockholders (the "***Annual Meeting***") each calendar year beginning with calendar year 2025 automatically shall be granted a Restricted Stock Unit award with a value of $160,000 (an "***Annual Award***" and together with the Initial Equity Awards, the "***Equity Awards***") on the date of such Annual Meeting. The number of Restricted Stock Units subject to an Annual Award will be determined by dividing $160,000 by the closing price for the Company's common stock on the applicable grant date. Each Annual Award shall vest in full on the earlier to occur of (i) the one-year anniversary of the applicable grant date and (ii) the date of the next Annual Meeting following the grant date, subject to continued service through the applicable vesting date.

d. Accelerated Vesting Events. Notwithstanding the foregoing, an Eligible Director's Equity Award(s) shall vest in full immediately prior to the occurrence of a Change in Control, to the extent outstanding at such time, if the Eligible Director will not become, as of immediately following such Change in Control, a member of the Board or the board of directors of the ultimate parent of the Company.

3. Compensation Limits. Notwithstanding anything to the contrary in this Program, all compensation payable under this Program will be subject to any limits on the maximum amount of non-employee Director compensation set forth in the Equity Plan, as in effect from time to time.

* * * * *

PACS GROUP, INC.

2024 INCENTIVE AWARD PLAN

ARTICLE I.
PURPOSE

The Plan's purpose is to enhance the Company's ability to attract, retain and motivate persons who make (or are expected to make) important contributions to the Company by providing these individuals with equity ownership opportunities and/or equity-linked compensatory opportunities. Capitalized terms used in the Plan are defined in Article XI.

ARTICLE II.
ELIGIBILITY

Service Providers are eligible to be granted Awards under the Plan, subject to the limitations described herein.

ARTICLE III.
ADMINISTRATION AND DELEGATION

3.1 Administration. The Plan is administered by the Administrator. The Administrator has authority to determine which Service Providers receive Awards, grant Awards and set Award terms and conditions, subject to the conditions and limitations in the Plan. The Administrator also has the authority to take all actions and make all determinations under the Plan, to interpret the Plan and Award Agreements and to adopt, amend and repeal Plan administrative rules, guidelines and practices as it deems advisable. The Administrator may correct defects and ambiguities, supply omissions and reconcile inconsistencies in the Plan or any Award Agreement as it deems necessary or appropriate to administer the Plan and any Awards. The Administrator's determinations under the Plan are in its sole discretion and will be final and binding on all persons having or claiming any interest in the Plan or any Award.

3.2 Appointment of Committees. To the extent Applicable Laws permit, the Board or the Administrator may delegate any or all of its powers under the Plan to one or more Committees or committees of officers of the Company or any of its Subsidiaries. The Board or the Administrator, as applicable, may rescind any such delegation, abolish any such committee or Committee and/or re-vest in itself any previously delegated authority at any time.

ARTICLE IV.
STOCK AVAILABLE FOR AWARDS

4.1 Number of Shares. Subject to adjustment under Article VIII and the terms of this Article IV, the maximum number of Shares that may be issued pursuant to Awards under the Plan shall be equal to the Overall Share Limit. Shares issued under the Plan may consist of authorized but unissued Shares, Shares purchased on the open market or treasury Shares.

4.2 Share Recycling. If all or any part of an Award expires, lapses or is terminated, exchanged for or settled in cash, surrendered, repurchased, canceled without having been fully exercised or forfeited, in any case, in a manner that results in the Company acquiring Shares covered by the Award at a price not greater than the price (as adjusted to reflect any Equity Restructuring) paid by the

Participant for such Shares or not issuing any Shares covered by the Award, the unused Shares covered by the Award will, as applicable, become or again be available for Award grants under the Plan. Further, Shares delivered (either by actual delivery or attestation) to the Company by a Participant to satisfy the applicable exercise or purchase price of an Award and/or to satisfy any applicable tax withholding obligation with respect to an Award (including Shares retained by the Company from the Award being exercised or purchased and/or creating the tax obligation) will, as applicable, become or again be available for Award grants under the Plan. The payment of Dividend Equivalents in cash in conjunction with any outstanding Awards shall not count against the Overall Share Limit. Notwithstanding anything to the contrary contained herein, the following Shares shall not be added to the Shares authorized for grant under Section 4.1 and shall not be available for future grants of Awards: (a) Shares subject to a Stock Appreciation Right that are not issued in connection with the stock settlement of the Stock Appreciation Right on exercise thereof; and (b) Shares purchased on the open market with the cash proceeds from the exercise of Options.

4.3 Incentive Stock Option Limitations. Notwithstanding anything to the contrary herein, no more than 50,000,000 Shares may be issued pursuant to the exercise of Incentive Stock Options.

4.4 Substitute Awards. In connection with an entity's merger or consolidation with the Company or the Company's acquisition of an entity's property or stock, the Administrator may grant Awards in substitution for any options or other stock or stock-based awards granted before such merger or consolidation by such entity or its affiliate. Substitute Awards may be granted on such terms as the Administrator deems appropriate, notwithstanding limitations on Awards in the Plan. Substitute Awards will not count against the Overall Share Limit (nor shall Shares subject to a Substitute Award be added to the Shares available for Awards under the Plan as provided above), except that Shares acquired by exercise of substitute Incentive Stock Options will count against the maximum number of Shares that may be issued pursuant to the exercise of Incentive Stock Options under the Plan. Additionally, in the event that a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for grant under the Plan (and Shares subject to such Awards shall not be added to the Shares available for Awards under the Plan as provided above); provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Service Providers prior to such acquisition or combination.

4.5 Non-Employee Director Compensation. Notwithstanding any provision to the contrary in the Plan, the Administrator may establish compensation for non-employee Directors from time to time, subject to the limitations in the Plan. The Administrator will from time to time determine the terms, conditions and amounts of all such non-employee Director compensation in its discretion and pursuant to the exercise of its business judgment, taking into account such factors, circumstances and considerations as it shall deem relevant from time to time, provided that, commencing with the calendar year following the calendar year in which the Effective Date occurs, the sum of any cash compensation, or other compensation, and the value (determined as of the grant date in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, or any successor thereto) of Awards granted to a non-employee Director as compensation for services as a non-employee Director with respect to any fiscal year of the Company may not exceed $750,000 (increased to $1,000,000 in a non-employee Director's initial calendar year of service as a non-employee director or any calendar year during which a non-employee Director serves as lead independent Director), which limits shall not apply to the compensation for any non-employee Director of the Company who serves in any capacity in addition to that of a non-employee Director for which he or she receives additional compensation. The Administrator may make exceptions to this limit for individual non-employee Directors in extraordinary circumstances, as the Administrator may determine in its discretion, provided that the non-employee Director receiving such additional compensation may not participate in the decision to award such compensation or in other contemporaneous compensation decisions involving non-employee Directors.

ARTICLE V.
STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

5.1 General. The Administrator may grant Options or Stock Appreciation Rights to Service Providers subject to the limitations in the Plan, including any limitations in the Plan that apply to Incentive Stock Options. A Stock Appreciation Right will entitle the Participant (or other person entitled to exercise the Stock Appreciation Right) to receive from the Company upon exercise of the exercisable portion of the Stock Appreciation Right an amount determined by multiplying the excess, if any, of the Fair Market Value of one Share on the date of exercise over the exercise price per Share of the Stock Appreciation Right by the number of Shares with respect to which the Stock Appreciation Right is exercised. Such amount shall be subject to any limitations of the Plan or that the Administrator may impose and payable in cash, Shares valued at Fair Market Value or a combination of the two as the Administrator may determine or provide in the Award Agreement.

5.2 Exercise Price. The Administrator will establish each Option's and Stock Appreciation Right's exercise price and specify the exercise price in the Award Agreement. The exercise price will not be less than 100% of the Fair Market Value on the grant date of the Option (subject to Section 5.6) or Stock Appreciation Right. Notwithstanding the foregoing, in the case of an Option or a Stock Appreciation Right that is a Substitute Award, the exercise price per share of the Shares subject to such Option or Stock Appreciation Right, as applicable, may be less than the Fair Market Value per share on the date of grant; provided that the exercise price of any Substitute Award shall be determined in accordance with the applicable requirements of Sections 424 and 409A of the Code.

5.3 Duration. Each Option or Stock Appreciation Right will be exercisable at such times and as specified in the Award Agreement, provided that, subject to Section 5.6, the term of an Option or Stock Appreciation Right will not exceed ten years. Notwithstanding the foregoing and unless determined otherwise by the Company, in the event that on the last business day of the term of an Option or Stock Appreciation Right (other than an Incentive Stock Option) (i) the exercise of the Option or Stock Appreciation Right is prohibited by Applicable Law, as determined by the Company, or (ii) Shares may not be purchased or sold by the applicable Participant due to any Company insider trading policy (including blackout periods) or a "lock-up" agreement undertaken in connection with an issuance of securities by the Company, the term of the Option or Stock Appreciation Right shall be extended until the date that is 30 days after the end of the legal prohibition, black-out period or lock-up agreement, as determined by the Company; provided, however, in no event shall the extension last beyond the ten year term of the applicable Option or Stock Appreciation Right. Notwithstanding the foregoing, to the extent permitted under Applicable Laws, if the Participant, prior to the end of the term of an Option or Stock Appreciation Right, violates the non-competition, non-solicitation, confidentiality or other similar restrictive covenant provisions of any employment contract, confidentiality and nondisclosure agreement or other agreement between the Participant and the Company or any of its Subsidiaries, the right of the

Participant and the Participant's transferees to exercise any Option or Stock Appreciation Right issued to the Participant shall terminate immediately upon such violation, unless the Company otherwise determines.

5.4 Exercise. Options and Stock Appreciation Rights may be exercised by delivering to the Company a written notice of exercise, in a form the Administrator approves (which may be electronic), signed by the person authorized to exercise the Option or Stock Appreciation Right, together with, as applicable, payment in full (i) as specified in Section 5.5 for the number of Shares for which the Award is exercised and (ii) as specified in Section 9.5 for any applicable taxes. Unless the Administrator otherwise determines, an Option or Stock Appreciation Right may not be exercised for a fraction of a Share.

5 . 5 Payment Upon Exercise. Subject to Sections 9.10 and 10.8, any Company insider trading policy (including blackout periods) and Applicable Laws, the exercise price of an Option must be paid by:

(a) cash, wire transfer of immediately available funds or by check payable to the order of the Company, provided that the Company may limit the use of one of the foregoing payment forms if one or more of the payment forms below is permitted;

(b) if there is a public market for Shares at the time of exercise, unless the Company otherwise determines, (i) delivery (including electronically or telephonically to the extent permitted by the Company) of an irrevocable and unconditional undertaking by a broker acceptable to the Company to deliver promptly to the Company sufficient funds to pay the exercise price, or (ii) the Participant's delivery to the Company of a copy of irrevocable and unconditional instructions to a broker acceptable to the Company to deliver promptly to the Company cash or a check sufficient to pay the exercise price; provided that such amount is paid to the Company at such time as may be required by the Administrator;

(c) to the extent permitted by the Administrator, delivery (either by actual delivery or attestation) of Shares owned by the Participant valued at their Fair Market Value;

(d) to the extent permitted by the Administrator, surrendering Shares then issuable upon the Option's exercise valued at their Fair Market Value on the exercise date;

(e) to the extent permitted by the Administrator, delivery of a promissory note or any other property that the Administrator determines is good and valuable consideration; or

(f) to the extent permitted by the Company, any combination of the above payment forms approved by the Administrator.

5.6 Additional Terms of Incentive Stock Options. The Administrator may grant Incentive Stock Options only to employees of the Company, any of its present or future parent or subsidiary corporations, as defined in Sections 424(e) or (f) of the Code, respectively, and any other entities the employees of which are eligible to receive Incentive Stock Options under the Code. If an Incentive Stock Option is granted to a Greater Than 10% Stockholder, the exercise price will not be less than 110% of the Fair Market Value on the Option's grant date, and the term of the Option will not exceed five years. All Incentive Stock Options will be subject to and construed consistently with Section 422 of the Code. By accepting an Incentive Stock Option, the Participant agrees to give prompt notice to the Company of dispositions or other transfers (other than in connection with a Change in Control) of Shares acquired under the Option made within (i) two years from the grant date of the Option or (ii) one year after the transfer of such Shares to the Participant, specifying the date of the disposition or other transfer and the amount the Participant realized, in cash, other property, assumption of indebtedness or other consideration, in such disposition or other transfer. Neither the Company nor the Administrator will be liable to a Participant, or any other party, if an Incentive Stock Option fails or ceases to qualify as an “incentive stock option” under Section 422 of the Code. Any Incentive Stock Option or portion thereof that fails to qualify as an “incentive stock option” under Section 422 of the Code for any reason, including becoming exercisable with respect to Shares having a fair market value exceeding the $100,000 limitation under Treasury Regulation Section 1.422-4, will be a Non-Qualified Stock Option.

ARTICLE VI.
RESTRICTED STOCK; RESTRICTED STOCK UNITS

6.1 General. The Administrator may grant Restricted Stock, or the right to purchase Restricted Stock, to any Service Provider, subject to the Company’s right to repurchase all or part of such Shares at their issue price or other stated or formula price from the Participant (or to require forfeiture of such Shares) if conditions the Administrator specifies in the Award Agreement are not satisfied before the end of the applicable restriction period or periods that the Administrator establishes for such Award. In addition, the Administrator may grant to Service Providers Restricted Stock Units, which may be subject to vesting and forfeiture conditions during the applicable restriction period or periods, as set forth in an Award Agreement.

6.2 Restricted Stock.

(a) Dividends. Subject to the terms of this Section 6.2(a), Participants holding Shares of Restricted Stock will be entitled to all ordinary cash dividends paid with respect to such Shares, unless the Administrator provides otherwise in the Award Agreement. In addition, unless the Administrator provides otherwise, if any dividends or distributions are paid in Shares, or consist of a dividend or distribution to holders of Common Stock of property other than an ordinary cash dividend, the Shares or other property will be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid. Notwithstanding anything to the contrary herein, with respect to any award of Restricted Stock, dividends which are paid to holders of Common Stock prior to vesting shall only be paid out to a Participant holding such Restricted Stock to the extent that the vesting conditions are subsequently satisfied. All such dividend payments will be made no later than March 15 of the calendar year following the calendar year in which the right to the dividend payment becomes nonforfeitable.

(b) Stock Certificates. The Company may require that the Participant deposit in escrow with the Company (or its designee) any stock certificates issued in respect of Shares of Restricted Stock, together with a stock power endorsed in blank.

6.3 Restricted Stock Units.

(a) Settlement. The Administrator may provide that settlement of Restricted Stock Units will occur upon or as soon as reasonably practicable after the Restricted Stock Units vest or will instead be deferred, on a mandatory basis or at the Participant’s election, in a manner intended to comply with Section 409A.

(b) Stockholder Rights. A Participant will have no rights of a stockholder with respect to Shares subject to any Restricted Stock Unit unless and until the Shares are delivered in settlement of the Restricted Stock Unit.

ARTICLE VII.
OTHER STOCK OR CASH BASED AWARDS; DIVIDEND EQUIVALENTS

7.1 Other Stock or Cash Based Awards. Other Stock or Cash Based Awards may be granted to Participants, including Awards entitling Participants to receive Shares to be delivered in the future and including annual or other periodic or long-term cash bonus awards (whether based on specified Performance Criteria or otherwise), in each case subject to any conditions and limitations in the Plan. Such Other Stock or Cash Based Awards will also be available as a payment form in the settlement of other Awards, as standalone payments and as payment in lieu of compensation to which a Participant is otherwise entitled. Other Stock or Cash Based Awards may be paid in Shares, cash or other property, as the Administrator determines.

7.2 Dividend Equivalents. A grant of Restricted Stock Units or Other Stock or Cash Based Award may provide a Participant with the right to receive Dividend Equivalents, and no Dividend Equivalents shall be payable with respect to Options or Stock Appreciation Rights. Dividend Equivalents may be paid currently or credited to an account for the Participant, settled in cash or Shares and subject to the same restrictions on transferability and forfeitability as the Award with respect to which the Dividend Equivalents are paid and subject to other terms and conditions as set forth in the Award Agreement. Notwithstanding anything to the contrary herein, Dividend Equivalents with respect to an Award shall only be paid out to a Participant to the extent that the vesting conditions are subsequently satisfied. All such Dividend Equivalent payments will be made no later than March 15 of the calendar year following the calendar year in which the right to the Dividend Equivalent payment becomes nonforfeitable, unless determined otherwise by the Administrator or unless deferred in a manner intended to comply with Section 409A.

ARTICLE VIII.
ADJUSTMENTS FOR CHANGES IN COMMON STOCK AND CERTAIN OTHER EVENTS

8.1 Equity Restructuring. In connection with any Equity Restructuring, notwithstanding anything to the contrary in this Article VIII, the Administrator will equitably adjust each outstanding Award as it deems appropriate to reflect the Equity Restructuring, which may include (if applicable) adjusting the number and type of securities subject to each outstanding Award, adjusting the Award's exercise price, grant price and/or applicable performance goals, granting new Awards to Participants, and/or making a cash payment to Participants. The adjustments provided under this Section 8.1 will be nondiscretionary and final and binding on the affected Participant and the Company; provided that the Administrator will determine whether an adjustment is equitable.

8.2 Corporate Transactions. In the event of any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), reorganization, merger, consolidation, combination, amalgamation, repurchase, recapitalization, liquidation, dissolution, or sale, transfer, exchange or other disposition of all or substantially all of the assets of the Company, or sale or exchange of Common Stock or other securities of the Company, Change in Control, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, other similar corporate transaction or event, other unusual or nonrecurring transaction or event affecting the Company or its financial statements or any change in any Applicable Laws or accounting principles, the Administrator, on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken in connection with the occurrence of such transaction or event (any action to give effect to a change in Applicable Law or accounting principles may be made within a reasonable period of time after such change), is hereby authorized to take any one or more of the following actions whenever the Administrator determines that such action is appropriate in order to (x) prevent dilution or enlargement of the benefits or potential benefits intended by the Company to be made available under the Plan or with respect to any Award granted or issued under the Plan, (y) to facilitate such transaction or event or (z) give effect to such changes in Applicable Laws or accounting principles:

(a) To provide for the cancellation of any such Award in exchange for either an amount of cash or other property with a value equal to the amount that could have been obtained upon the exercise or settlement of the vested portion of such Award or realization of the Participant's rights under the vested portion of such Award, as applicable; provided that, if the amount that could have been obtained upon the exercise or settlement of the vested portion of such Award or realization of the Participant's rights, in any case, is equal to or less than zero, then the Award may be terminated without payment; provided, further, that Awards held by members of the Board will be deemed settled in Shares on or immediately prior to the applicable event if the Administrator takes action under this clause (a);

(b) To provide that such Award shall vest and, to the extent applicable, be exercisable as to all Shares covered thereby, notwithstanding anything to the contrary in the Plan or the provisions of such Award;

(c) To provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, or equivalent value thereof in cash, with appropriate adjustments as to the number and kind of shares and/or applicable exercise or purchase price, in all cases, as determined by the Administrator;

(d) To make adjustments in the number and type of Shares (or other securities or property) subject to outstanding Awards and/or with respect to which Awards may be granted under the Plan (including, but not limited to, adjustments of the limitations in Article IV on the maximum number and kind of shares which may be issued) and/or in the terms and conditions of (including the grant or exercise price or applicable performance goals), and the criteria included in, outstanding Awards;

(e) To replace such Award with other rights or property selected by the Administrator; and/or

(f) To provide that the Award will terminate and cannot vest, be exercised or become payable after the applicable event.

8.3 Effect of Non-Assumption in a Change in Control. Notwithstanding the provisions of Section 8.2, if a Change in Control occurs and a Participant's Awards are not continued, converted, assumed, or replaced with a substantially similar award by (a) the Company, or (b) a successor entity or its parent or subsidiary (an "***Assumption***"), and provided that the Participant has not had a Termination of Service, then, immediately prior to the Change in Control, such Awards shall become fully vested, exercisable and/or payable, as applicable, and all forfeiture, repurchase and other restrictions on such Awards shall lapse, in which case, such Awards shall be canceled upon the consummation of the Change in Control in exchange for the right to receive the Change in Control consideration payable to other holders of Common Stock (i) which may be on such terms and conditions as apply generally to holders of Common Stock under the Change in Control documents (including, without limitation, any escrow, earn-out or other deferred consideration provisions) or such other terms and conditions as the Administrator may provide, and (ii) determined by reference to the number of Shares subject to such Awards and net of any applicable exercise price; provided that to the extent that any Awards constitute "nonqualified deferred compensation" that may not be paid upon the Change in Control under Section 409A without the imposition of taxes thereon under Section 409A, the timing of such payments shall be governed by the applicable Award Agreement (subject to any deferred consideration provisions applicable under the Change in Control documents); and provided, further, that if the amount to which a Participant would be entitled upon the settlement or exercise of such Award at the time of the Change in Control is equal to or less than zero, then such Award may be terminated without payment. The Administrator shall determine whether an Assumption of an Award has occurred in connection with a Change in Control.

8.4 Administrative Stand Still. In the event of any pending stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other extraordinary transaction or change affecting the Shares or the share price of Common Stock, including any Equity Restructuring or any securities offering or other similar transaction, for administrative convenience, the Administrator may refuse to permit the exercise of any Award for up to 60 days before or after such transaction.

8.5 General. Except as expressly provided in the Plan or the Administrator's action under the Plan, no Participant will have any rights due to any subdivision or consolidation of Shares of any class, dividend payment, increase or decrease in the number of Shares of any class or dissolution, liquidation, merger, or consolidation of the Company or other corporation. Except as expressly provided with respect to an Equity Restructuring under Section 8.1 or the Administrator's action under the Plan, no issuance by the Company of Shares of any class, or securities convertible into Shares of any class, will affect, and no adjustment will be made regarding, the number of Shares subject to an Award or the Award's grant or exercise price. The existence of the Plan, any Award Agreements and the Awards granted hereunder will not affect or restrict in any way the Company's right or power to make or authorize (i) any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, (ii) any merger, consolidation dissolution or liquidation of the Company or sale of Company assets or (iii) any sale or issuance of securities, including securities with rights superior to those of the Shares or securities convertible into or exchangeable for Shares. The Administrator may treat Participants and Awards (or portions thereof) differently under this Article VIII.

ARTICLE IX.
GENERAL PROVISIONS APPLICABLE TO AWARDS

9.1 Transferability. Except as the Administrator may determine or provide in an Award Agreement or otherwise for Awards other than Incentive Stock Options, Awards may not be sold, assigned, transferred, pledged or otherwise encumbered, either voluntarily or by operation of law, except for certain Designated Beneficiary designations, by will or the laws of descent and distribution, or, subject to the Administrator's consent, pursuant to a domestic relations order, and, during the life of the Participant, will be exercisable only by the Participant. Any permitted transfer of an Award hereunder shall be without consideration, except as required by Applicable Law. References to a Participant, to the extent relevant in the context, will include references to a Participant's authorized transferee that the Administrator specifically approves.

9.2 Documentation. Each Award will be evidenced in an Award Agreement, which may be written or electronic, as the Administrator determines. Each Award may contain terms and conditions in addition to those set forth in the Plan.

9.3 Discretion. Except as the Plan otherwise provides, each Award may be made alone or in addition or in relation to any other Award. The terms of each Award to a Participant need not be identical, and the Administrator need not treat Participants or Awards (or portions thereof) uniformly.

9.4 Termination of Status. The Administrator will determine how the disability, death, retirement, an authorized leave of absence or any other change or purported change in a Participant's Service Provider status affects an Award and the extent to which, and the period during which, the Participant, the Participant's legal representative, conservator, guardian or Designated Beneficiary may exercise rights under the Award, if applicable.

9.5 Withholding. Each Participant must pay the Company or a Subsidiary, or make provision satisfactory to the Administrator for payment of, any taxes required by Applicable Law to be withheld in connection with such Participant's Awards by the date of the event creating the tax liability. The Company or any Subsidiary may deduct an amount sufficient to satisfy such tax obligations based on the applicable statutory withholding rates (or such other rate as may be determined by the Company or a Subsidiary after considering any accounting consequences or costs) from any payment of any kind otherwise due to a Participant. In the absence of a contrary determination by the Company or a Subsidiary (or, with respect to withholding pursuant to clause (ii) below with respect to Awards held by individuals subject to Section 16 of the Exchange Act, a contrary determination by the Administrator), all tax withholding obligations will be calculated based on the minimum applicable statutory withholding rates. Subject to Section 10.8 and any Company insider trading policy (including blackout periods), Participants may satisfy such tax obligations (i) in cash, by wire transfer of immediately available funds, by check made payable to the order of the Company, provided that the Company may limit the use of the foregoing payment forms if one or more of the payment forms below is permitted, (ii) to the extent permitted by the Administrator, in whole or in part by delivery of Shares, including Shares delivered by attestation and Shares retained from the Award creating the tax obligation, valued at their fair market value on the date of delivery, (iii) subject to Section 9.10, if there is a public market for Shares at the time the tax obligations are satisfied, unless the Company otherwise determines, (A) delivery (including electronically or telephonically to the extent permitted by the Company) of an irrevocable and unconditional undertaking by a broker acceptable to the Company to deliver promptly to the Company sufficient funds to satisfy the tax obligations, or (B) delivery by the Participant to the Company of a copy of irrevocable and unconditional instructions to a broker acceptable to the Company to deliver promptly to the Company cash or a check sufficient to satisfy the tax withholding; provided that such amount is paid to the Company at such time as may be required by the Administrator, or (iv) to the extent permitted by the Company, any combination of the foregoing payment forms approved by the Administrator. Notwithstanding any other provision of the Plan, the number of Shares which may be so delivered or retained pursuant to clause (ii) of the immediately preceding sentence shall be limited to the number of Shares which have a fair market value on the date of delivery or retention no greater than the aggregate amount of such liabilities based on the maximum applicable statutory withholding rate in the applicable jurisdiction at the time of such withholding (or such other rate as may be required to avoid the liability classification of the applicable award under generally accepted accounting principles in the United States of America). Subject to Section 9.10, if any tax withholding obligation will be satisfied under clause (ii) above by the Company's retention of Shares from the Award creating the tax obligation and there is a public market for Shares at the time the tax obligation is satisfied, the Company may elect to instruct any brokerage firm determined acceptable to the Company for such purpose to sell on the applicable Participant's behalf some or all of the Shares retained and to remit the proceeds of the sale to the Company or its designee, and each Participant's acceptance of an Award under the Plan will constitute the Participant's authorization to the Company and instruction and authorization to such brokerage firm to complete the transactions described in this sentence.

9.6 Amendment of Award; Repricing. The Administrator may amend, modify or terminate any outstanding Award, including by substituting another Award of the same or a different type, changing the exercise or settlement date, and converting an Incentive Stock Option to a Non-Qualified Stock Option. The Participant's consent to such action will be required unless (i) the action, taking into account any related action, does not materially and adversely affect the Participant's rights under the Award, or (ii) the change is permitted under Article VIII or pursuant to Section 10.6. Notwithstanding the foregoing or anything in the Plan to the contrary, the Administrator may, without the approval of the stockholders of the Company, reduce the exercise price per share of outstanding Options or Stock Appreciation Rights or cancel outstanding Options or Stock Appreciation Rights in exchange for cash, other Awards or Options or Stock Appreciation Rights with an exercise price per share that is less than the exercise price per share of the original Options or Stock Appreciation Rights.

9.7 Conditions on Delivery of Stock. The Company will not be obligated to deliver any Shares under the Plan or remove restrictions from Shares previously delivered under the Plan until (i) all Award conditions have been met or removed to the Company's satisfaction, (ii) as determined by the Company, all other legal matters regarding the issuance and delivery of such Shares have been satisfied, including any applicable securities laws and stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Administrator deems necessary or appropriate to satisfy any Applicable Laws. The Company's inability to obtain authority from any regulatory body having jurisdiction, which the Administrator determines is necessary to the lawful issuance and sale of any securities, will relieve the Company of any liability for failing to issue or sell such Shares as to which such requisite authority has not been obtained.

9.8 Acceleration. The Administrator may at any time provide that any Award will become immediately vested and fully or partially exercisable, free of some or all restrictions or conditions, or otherwise fully or partially realizable.

9.9 Cash Settlement. Without limiting the generality of any other provision of the Plan, the Administrator may provide, in an Award Agreement or subsequent to the grant of an Award, in its discretion, that any Award may be settled in cash, Shares or a combination thereof.

9.10 Broker-Assisted Sales. In the event of a broker-assisted sale of Shares in connection with the payment of amounts owed by a Participant under or with respect to the Plan or Awards, including amounts to be paid under the final sentence of Section 9.5 above: (a) any Shares to be sold through the broker-assisted sale will be sold on the day the payment first becomes due, or as soon thereafter as practicable; (b) such Shares may be sold as part of a block trade with other Participants in the Plan in which all Participants receive an average price; (c) the applicable Participant will be responsible for all broker's fees and other costs of sale, and by accepting an Award, each Participant agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale; (d) to the extent the Company or its designee receives proceeds of such sale that exceed the amount owed, the Company will pay such excess in cash to the applicable Participant as soon as reasonably practicable; (e) the Company and its designees are under no obligation to arrange for such sale at any particular price; and (f) in the event the proceeds of such sale are insufficient to satisfy the Participant's applicable obligation, the Participant may be required to pay immediately upon demand to the Company or its designee an amount in cash sufficient to satisfy any remaining portion of the Participant's obligation.

ARTICLE X.
MISCELLANEOUS

10.1 No Right to Employment or Other Status. No person will have any claim or right to be granted an Award, and the grant of an Award will not be construed as giving a Participant the right to continued employment or any other relationship with the Company or any of its Subsidiaries. The Company and its Subsidiaries expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan or any Award, except as expressly provided in an Award Agreement or in the Plan.

10.2 No Rights as Stockholder; Certificates. Subject to the Award Agreement, no Participant or Designated Beneficiary will have any rights as a stockholder with respect to any Shares to be distributed under an Award until becoming the record holder of such Shares. Notwithstanding any other provision of the Plan, unless the Administrator otherwise determines or Applicable Laws require, the Company will not be required to deliver to any Participant certificates evidencing Shares issued in connection with any Award and instead such Shares may be recorded in the books of the Company (or, as applicable, its transfer agent or stock plan administrator). The Company may place legends on stock certificates issued under the Plan that the Administrator deems necessary or appropriate to comply with Applicable Laws.

10.3 Effective Date and Term of Plan. Unless earlier terminated by the Board, the Plan will become effective on the day prior to the Public Trading Date (the "***Effective Date***") and will remain in effect until the tenth anniversary of the Effective Date, but Awards previously granted may extend beyond that date in accordance with the Plan. Notwithstanding anything to the contrary in the Plan, an Incentive Stock Option may not be granted under the Plan after 10 years from the earlier of (i) the date the Board adopted the Plan or (ii) the date the Company's stockholders approved the Plan. Notwithstanding anything to the contrary contained herein, if the Plan is not approved by the Company's stockholders, the Plan will not become effective and no Awards will be granted under the Plan.

10.4 Amendment of Plan. The Administrator may amend, suspend or terminate the Plan at any time; provided that no amendment to the Plan, other than an increase to the Overall Share Limit, may materially and adversely affect any Award outstanding at the time of such amendment without the affected Participant's consent. No Awards may be granted under the Plan during any suspension period or after the Plan's termination. Awards outstanding at the time of any Plan suspension or termination will continue to be governed by the Plan and the Award Agreement, as in effect before such suspension or termination. The Board will obtain stockholder approval of any Plan amendment to the extent necessary to comply with Applicable Laws.

10.5 Provisions for Foreign Participants. The Administrator may modify Awards granted to Participants who are foreign nationals or employed outside the United States or establish subplans or procedures under the Plan to address differences in laws, rules, regulations or customs of such foreign jurisdictions with respect to tax, securities, currency, employee benefit or other matters.

10.6 Section 409A.

(a) General. The Company intends that all Awards be structured to comply with, or be exempt from, Section 409A, such that no adverse tax consequences, interest, or penalties under Section 409A apply. Notwithstanding anything in the Plan or any Award Agreement to the contrary, the Administrator may, without a Participant's consent, amend this Plan or Awards, adopt policies and procedures, or take any other actions (including amendments, policies, procedures and retroactive actions) as are necessary or appropriate to preserve the intended tax treatment of Awards, including any such actions intended to (A) exempt this Plan or any Award from Section 409A, or (B) comply with Section 409A, including regulations, guidance, compliance programs and other interpretative authority that may be issued after an Award's grant date. The Company makes no representations or warranties as to an Award's tax treatment under Section 409A or otherwise. The Company will have no obligation under this Section 10.6 or otherwise to avoid the taxes, penalties or interest under Section 409A with respect to any Award and will have no liability to any Participant or any other person if any Award, compensation or other benefits under the Plan are determined to constitute noncompliant "nonqualified deferred compensation" subject to taxes, penalties or interest under Section 409A.

(b) Separation from Service. If an Award constitutes "nonqualified deferred compensation" under Section 409A, any payment or settlement of such Award upon a termination of a Participant's Service Provider relationship will, to the extent necessary to avoid taxes under Section 409A, be made only upon the Participant's "separation from service" (within the meaning of Section 409A), whether such "separation from service" occurs upon or after the termination of the Participant's Service Provider relationship. For purposes of this Plan or any Award Agreement relating to any such payments or benefits, references to a "termination," "termination of employment" or like terms means a "separation from service." Furthermore, notwithstanding any contrary provision of the Plan or any Award Agreement, any payment of "nonqualified deferred compensation" under the Plan that may be made in installments shall be treated as a right to receive a series of separate and distinct payments.

(c) Payments to Specified Employees. Notwithstanding any contrary provision in the Plan or any Award Agreement, any payment(s) of "nonqualified deferred compensation" required to be made under an Award to a "specified employee" (as defined under Section 409A and as the Administrator determines) due to his or her "separation from service" will, to the extent necessary to avoid taxes under Section 409A(a)(2)(B)(i) of the Code, be delayed for the six-month period immediately following such "separation from service" (or, if earlier, until the specified employee's death) and will instead be paid (as set forth in the Award Agreement) on the day immediately following such six-month period or as soon as administratively practicable thereafter (without interest). Any payments of "nonqualified deferred compensation" under such Award payable more than six months following the Participant's "separation from service" will be paid at the time or times the payments are otherwise scheduled to be made.

10.7 Limitations on Liability. Notwithstanding any other provisions of the Plan, no individual acting as a director, officer, other employee or agent of the Company or any Subsidiary will be liable to any Participant, former Participant, spouse, beneficiary, or any other person for any claim, loss, liability, or expense incurred in connection with the Plan or any Award, and such individual will not be personally liable with respect to the Plan because of any contract or other instrument executed in his or her capacity as an Administrator, director, officer, other employee or agent of the Company or any Subsidiary. The Company will indemnify and hold harmless each director, officer, other employee and agent of the Company or any Subsidiary that has been or will be granted or delegated any duty or power relating to the Plan's administration or interpretation, against any cost or expense (including attorneys' fees) or liability (including any sum paid in settlement of a claim with the Administrator's approval) arising from any act or omission concerning this Plan unless arising from such person's own fraud or bad faith.

10.8 Lock-Up Period. The Company may, at the request of any underwriter representative or otherwise, in connection with registering the offering of any Company securities under the Securities Act, prohibit Participants from, directly or indirectly, selling or otherwise transferring any Shares or other

Company securities during a period of up to 180 days following the effective date of a Company registration statement filed under the Securities Act, or such longer period as determined by the underwriter.

10.9 Data Privacy. As a condition for receiving any Award, each Participant explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of personal data as described in this section by and among the Company and its Subsidiaries and affiliates exclusively for implementing, administering and managing the Participant's participation in the Plan. The Company and its Subsidiaries and affiliates may hold certain personal information about a Participant, including the Participant's name, address and telephone number; birthdate; social security, insurance number or other identification number; salary; nationality; job title(s); any Shares held in the Company or its Subsidiaries and affiliates; and Award details, to implement, manage and administer the Plan and Awards (the "***Data***"). The Company and its Subsidiaries and affiliates may transfer the Data amongst themselves as necessary to implement, administer and manage a Participant's participation in the Plan, and the Company and its Subsidiaries and affiliates may transfer the Data to third parties assisting the Company with the Plan implementation, administration and management. These recipients may be located in the Participant's country, or elsewhere, and the Participant's country may have different data privacy laws and protections than the recipients' country. By accepting an Award, each Participant authorizes such recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, to implement, administer and manage the Participant's participation in the Plan, including any required Data transfer to a broker or other third party with whom the Company or the Participant may elect to deposit any Shares. The Data related to a Participant will be held only as long as necessary to implement, administer, and manage the Participant's participation in the Plan. A Participant may, at any time, view the Data that the Company holds regarding such Participant, request additional information about the storage and processing of the Data regarding such Participant, recommend any necessary corrections to the Data regarding the Participant or refuse or withdraw the consents in this Section 10.9 in writing, without cost, by contacting the local human resources representative. If the Participant refuses or withdraws the consents in this Section 10.9, the Company may cancel Participant's ability to participate in the Plan and, in the Administrator's discretion, the Participant may forfeit any outstanding Awards. For more information on the consequences of refusing or withdrawing consent, Participants may contact their local human resources representative.

10.10 Severability. If any portion of the Plan or any action taken under it is held illegal or invalid for any reason, the illegality or invalidity will not affect the remaining parts of the Plan, and the Plan will be construed and enforced as if the illegal or invalid provisions had been excluded, and the illegal or invalid action will be null and void.

10.11 Governing Documents. If any contradiction occurs between the Plan and any Award Agreement or other written agreement between a Participant and the Company (or any Subsidiary) that the Administrator has approved, the Plan will govern, unless it is expressly specified in such Award Agreement or other written document that a specific provision of the Plan will not apply.

10.12 Governing Law. The Plan and all Awards will be governed by and interpreted in accordance with the laws of the State of Delaware, disregarding any state's choice-of-law principles requiring the application of a jurisdiction's laws other than the State of Delaware.

10.13 Claw-back Provisions. All Awards (including, without limitation, any proceeds, gains or other economic benefit actually or constructively received by Participant upon any receipt or exercise of any Award or upon the receipt or sale of any Shares underlying the Award) shall be subject to the provisions of any claw-back policy implemented by the Company, including, without limitation, the Company's Policy for Recovery of Erroneously Awarded Compensation and any other claw-back policy adopted to comply with Applicable Laws, as and to the extent set forth in such claw-back policy or the Award Agreement.

10.14 Titles and Headings. The titles and headings in the Plan are for convenience of reference only and, if any conflict, the Plan's text, rather than such titles or headings, will control.

10.15 Conformity to Securities Laws. Participant acknowledges that the Plan is intended to conform to the extent necessary with Applicable Laws. Notwithstanding anything herein to the contrary, the Plan and all Awards will be administered only in conformance with Applicable Laws. To the extent Applicable Laws permit, the Plan and all Award Agreements will be deemed amended as necessary to conform to Applicable Laws.

10.16 Relationship to Other Benefits. No payment under the Plan will be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Subsidiary except as expressly provided in writing in such other plan or an agreement thereunder.

ARTICLE XI.
DEFINITIONS

As used in the Plan, the following words and phrases will have the following meanings:

11.1 "***Administrator***" means the Board or a Committee to the extent that the Board's powers or authority under the Plan have been delegated to such Committee.

11.2 "***Applicable Laws***" means the requirements relating to the administration of equity incentive plans under U.S. federal and state securities, tax and other applicable laws, rules and regulations, the applicable rules of any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws and rules of any foreign country or other jurisdiction where Awards are granted.

11.3 "***Award***" means, individually or collectively, a grant under the Plan of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Dividend Equivalents, or Other Stock or Cash Based Awards.

11.4 "***Award Agreement***" means a written agreement evidencing an Award, which may be electronic, that contains such terms and conditions as the Administrator determines, consistent with and subject to the terms and conditions of the Plan.

11.5 "***Board***" means the Board of Directors of the Company.

11.6 "***Cause***" means, in respect of a Participant, either (a) the definition of "Cause" contained in an effective, written service or employment agreement between the Participant and the Company or a Subsidiary of the Company; or (b) if no such agreement exists or such agreement does not define Cause, then Cause shall mean (i) the Participant's willful failure to substantially perform his or her duties with the Company (other than any such failure resulting from his or her incapacity due to physical or mental illness or any such actual or anticipated failure after his or her issuance of a notice of termination for Good Reason), including the Participant's failure to follow any good faith lawful directive from the Board or the Company's Chief Executive Officer or Executive Vice Chairman (as applicable) within the reasonable scope of his or her duties and the Participant's failure to correct the same (if capable of correction, as determined by the Company) within 30 days after a written notice is delivered to the Participant, which notice specifically identifies the manner in which the Company believes that the Participant has not performed his or her duties; provided, that, for the avoidance of doubt, the Participant's failure to satisfy any specific performance goal or metric or the Company's failure to attain any specific level of financial performance shall not constitute a failure to perform for purposes of this clause (i), (ii) the Participant's commission of, indictment for or entry of a plea of guilty or nolo contendere to a felony crime (excluding vehicular crimes) or a crime of moral turpitude, (iii) the Participant's breach of any material obligation under any written agreement with the Company or its affiliates, including any restrictive covenants contained in an applicable Proprietary Information and Inventions Assignment Agreement or award agreement, or under any applicable policy of the Company or its affiliates that has been provided to or made available to the Participant (including any code of conduct or harassment policies), and the Participant's failure to correct the same (if capable of correction, as determined in good faith by the Company) within 30 days after a written notice is delivered to the Participant, which notice specifically identifies the manner in which the Company believes that the Participant has materially breached such agreement or policy, (iv) any act of fraud, embezzlement, or material misappropriation from the Company or its affiliates by the Participant; or (v) the Participant's willful misconduct or gross negligence with respect to any material aspect of the Company's business or a material breach by the Participant of his or her fiduciary duty to the Company or its affiliates, which willful misconduct, gross negligence or material breach has a material and demonstrable adverse effect on the Company or its affiliates. For clarity, a termination without "Cause" does not include any termination that occurs as a result of the Participant's death or disability.

11.7 "***Change in Control***" means and includes each of the following:

(a) A transaction or series of transactions (other than an offering of Common Stock to the general public through a registration statement filed with the Securities and Exchange Commission or a transaction or series of transactions that meets the requirements of clauses (i) and (ii) of subsection (c) below) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) (other than the Company, any of its Subsidiaries, an employee benefit plan maintained by the Company or any of its Subsidiaries or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than 50% of the total combined voting power of the Company's securities outstanding immediately after such acquisition; or

(b) During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new Director(s) (other than a Director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in subsections (a) or (c)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(c) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the

Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(i) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "***Successor Entity***")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(ii) after which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this clause (ii) as beneficially owning 50% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction.

Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to any Award (or portion of any Award) that provides for the deferral of compensation that is subject to Section 409A, to the extent required to avoid the imposition of additional taxes under Section 409A, the transaction or event described in subsection (a), (b) or (c) with respect to such Award (or portion thereof) shall only constitute a Change in Control for purposes of the payment timing of such Award (or portion thereof) if such transaction also constitutes a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5).

The Administrator shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control has occurred pursuant to the above definition, the date of the occurrence of such Change in Control and any incidental matters relating thereto; provided that any exercise of authority in conjunction with a determination of whether a Change in Control is a "change in control event" as defined in Treasury Regulation Section 1.409A-3(i)(5) shall be consistent with such regulation.

11.8 "***Code***" means the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

11.9 "***Committee***" means one or more committees or subcommittees of the Board, which may include one or more Company directors or executive officers, to the extent Applicable Laws permit. To the extent required to comply with the provisions of Rule 16b-3, it is intended that each member of the Committee will be, at the time the Committee takes any action with respect to an Award that is subject to Rule 16b-3, a "non-employee director" within the meaning of Rule 16b-3; however, a Committee member's failure to qualify as a "non-employee director" within the meaning of Rule 16b-3 will not invalidate any Award granted by the Committee that is otherwise validly granted under the Plan.

11.10 "***Common Stock***" means the common stock of the Company, par value of $0.001 per share.

11.11 "***Company***" means PACS Group, Inc., a Delaware corporation, or any successor.

11.12 “***Consultant***” means any consultant or advisor, engaged by the Company or any of its Subsidiaries to render services to such entity, who qualifies as a consultant or advisor under the applicable rules of Form S-8 Registration Statement.

11.13 “***Designated Beneficiary***” means the beneficiary or beneficiaries the Participant designates, in a manner the Administrator determines, to receive amounts due or exercise the Participant’s rights if the Participant dies or becomes incapacitated. Without a Participant’s effective designation, “Designated Beneficiary” will mean the Participant’s estate.

11.14 “***Director***” means a Board member.

11.15 “***Disability***” means a permanent and total disability under Section 22(e)(3) of the Code, as amended.

11.16 “***Dividend Equivalents***” means a right granted to a Participant under the Plan to receive the equivalent value (in cash or Shares) of dividends paid on Shares.

11.17 “***Employee***” means any employee of the Company or its Subsidiaries.

11.18 “***Equity Restructuring***” means, as determined by the Administrator, a non-reciprocal transaction between the Company and its stockholders, such as a stock dividend, stock split, spin-off or recapitalization through a large, nonrecurring cash dividend, or other large, nonrecurring cash dividend, that affects the shares of Common Stock (or other securities of the Company) or the share price of Common Stock (or other securities of the Company) and causes a change in the per share value of the Common Stock underlying outstanding Awards.

11.19 “***Exchange Act***” means the Securities Exchange Act of 1934, as amended.

11.20 “***Fair Market Value***” means, as of any date, the value of a Share determined as follows: (a) if the Common Stock is listed on any established stock exchange, its Fair Market Value will be the closing sales price for such Common Stock as quoted on such exchange for such date, or if no sale occurred on such date, the last day preceding such date during which a sale occurred, as reported in The Wall Street Journal or another source the Administrator deems reliable; (b) if the Common Stock is not traded on a stock exchange but is quoted on a national market or other quotation system, the closing sales price on such date, or if no sales occurred on such date, then on the last date preceding such date during which a sale occurred, as reported in The Wall Street Journal or another source the Administrator deems reliable; or (c) without an established market for the Common Stock, the Administrator will determine the Fair Market Value in its discretion.

Notwithstanding the foregoing, with respect to any Award granted on the pricing date of the Company’s initial public offering, the Fair Market Value shall mean the initial public offering price of a Share as set forth in the Company’s final prospectus relating to its initial public offering filed with the Securities and Exchange Commission.

11.21 “***Greater Than 10% Stockholder***” means an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or its parent or subsidiary corporation, as defined in Section 424(e) and (f) of the Code, respectively.

11.22 "***Incentive Stock Option***" means an Option intended to qualify as an "incentive stock option" as defined in Section 422 of the Code.

11.23 "***Non-Qualified Stock Option***" means an Option, or portion thereof, not intended or not qualifying as an Incentive Stock Option.

11.24 "***Option***" means an option to purchase Shares, which will either be an Incentive Stock Option or a Non-Qualified Stock Option.

11.25 "***Other Stock or Cash Based Awards***" means cash awards, awards of Shares, and other awards valued wholly or partially by referring to, or are otherwise based on, Shares or other property awarded to a Participant under Article VII.

11.26 "***Overall Share Limit***" means the sum of (a) [_____][1] Shares; and (b) an annual increase on the first day of each calendar year beginning on and including January 1, 2025 and ending on and including January 1, 2034, equal to (i) a number of Shares equal to 2% of the aggregate number of Shares outstanding on the final day of the immediately preceding calendar year, or (ii) such smaller number of Shares as is determined by the Board.

11.27 "***Participant***" means a Service Provider who has been granted an Award.

11.28 "***Performance Criteria***" mean the criteria (and adjustments) that the Administrator may select for an Award to establish performance goals for a performance period, which may include the following: net earnings or losses (either before or after one or more of interest, taxes, depreciation, amortization, and non-cash equity-based compensation expense); gross or net sales or revenue or sales or revenue growth; income or net income (either before or after taxes) or adjusted net income; profits (including but not limited to gross profits, net profits, profit growth, net operation profit or economic profit), profit return ratios or operating margin (either before or after taxes); budget or operating earnings (either before or after taxes or before or after allocation of corporate overhead and bonus); cash flow (including operating cash flow and free cash flow or cash flow return on capital); return on assets; return on capital or invested capital; cost of capital; return on stockholders' equity; total stockholder return; return on sales; costs, reductions in costs and cost control measures; expenses; working capital; earnings or loss per share; adjusted earnings or loss per share; price per share or dividends per share (or appreciation in or maintenance of such price or dividends); regulatory achievements or compliance; implementation, completion or attainment of objectives relating to research, development, regulatory, commercial, or strategic milestones or developments; market share; economic value or economic value added models; division, group or corporate financial goals; customer satisfaction/growth; customer service; employee satisfaction; recruitment and maintenance of personnel; human capital management (including diversity and inclusion); supervision of litigation and other legal matters; strategic partnerships and transactions; financial ratios (including those measuring liquidity, activity, profitability or leverage); debt levels or reductions; sales-related goals; financing and other capital raising transactions; cash on hand; acquisition activity; investment sourcing activity; and marketing initiatives, any of which may be measured in absolute terms or as compared to any incremental increase or decrease. Such performance goals also may be based solely by reference to the Company's performance or the performance of a Subsidiary, division, business segment or business unit of the Company or a Subsidiary, or based upon

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[1] NTD: To reflect the number of Shares that is equal to 10.25% of outstanding shares at the closing of the IPO.IPO (disregarding shares outstanding as of immediately following the closing of the IPO that were issued in connection with IPO awards).

performance relative to performance of other companies or upon comparisons of any of the indicators of performance relative to performance of other companies.

11.29 "***Plan***" means this 2024 Incentive Award Plan.

11.30 "***Preferred Stock***" means the preferred stock of the Company, par value of $0.001 per share.

11.31 "***Public Trading Date***" means the first date upon which the Common Stock is listed (or approved for listing) upon notice of issuance on any securities exchange or designated (or approved for designation) upon notice of issuance as a national market security on an interdealer quotation system.

11.32 "***Restricted Stock***" means Shares awarded to a Participant under Article VI subject to certain vesting conditions and other restrictions.

11.33 "***Restricted Stock Unit***" means an unfunded, unsecured right to receive, on the applicable settlement date, one Share or an amount in cash or other consideration determined by the Administrator to be of equal value as of such settlement date awarded to a Participant under Article VI subject to certain vesting conditions and other restrictions.

11.34 "***Rule 16b-3***" means Rule 16b-3 promulgated under the Exchange Act.

11.35 "***Section 409A***" means Section 409A of the Code and all regulations, guidance, compliance programs and other interpretative authority thereunder.

11.36 "***Securities Act***" means the Securities Act of 1933, as amended.

11.37 "***Service Provider***" means an Employee, Consultant or Director.

11.38 "***Share***" means a share of Common Stock.

11.39 "***Stock Appreciation Right***" means a stock appreciation right granted under Article V.

11.40 "***Subsidiary***" means any entity (other than the Company), whether domestic or foreign, in an unbroken chain of entities beginning with the Company if each of the entities other than the last entity in the unbroken chain beneficially owns, at the time of the determination, securities or interests representing at least 50% of the total combined voting power of all classes of securities or interests in one of the other entities in such chain.

11.41 "***Substitute Awards***" means Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, in each case by a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines.

11.42 "***Termination of Service***" means the date the Participant ceases to be a Service Provider.

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PACS GROUP, INC.

2024 INCENTIVE AWARD PLAN

STOCK OPTION GRANT NOTICE

PACS Group, Inc., a Delaware corporation (the "***Company***"), has granted to the participant listed below ("***Participant***") the stock option (the "***Option***") described in this Stock Option Grant Notice (this "***Grant Notice***"), subject to the terms and conditions of the PACS Group, Inc. 2024 Incentive Award Plan (as amended from time to time, the "***Plan***") and the Stock Option Agreement attached hereto as **Exhibit A** (the "***Agreement***"), both of which are incorporated into this Grant Notice by reference. Capitalized terms not specifically defined in this Grant Notice or the Agreement have the meanings given to them in the Plan.

Participant:	[To be specified]
Grant Date:	[To be specified]
Exercise Price per Share:	[To be specified]
Shares Subject to the Option:	[To be specified]
Final Expiration Date:	[To be specified]
Vesting Commencement Date:	[To be specified]
Vesting Schedule:	[To be specified]
Type of Option	[Incentive Stock Option]/[Non-Qualified Stock Option]

By accepting (whether in writing, electronically or otherwise) the Option, Participant agrees to be bound by the terms of this Grant Notice, the Plan and the Agreement. Participant has reviewed the Plan, this Grant Notice and the Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, this Grant Notice and the Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, this Grant Notice or the Agreement.

PACS GROUP, INC.		**PARTICIPANT**
By:	______________________	______________________
Name:	______________________	[Participant Name]
Title:	______________________	

STOCK OPTION AGREEMENT

Capitalized terms not specifically defined in this Stock Option Agreement (this "***Agreement***") have the meanings specified in the Grant Notice or, if not defined in the Grant Notice, in the Plan.

ARTICLE I.
GENERAL

1.1 Grant of Option. The Company has granted to Participant the Option effective as of the Grant Date set forth in the Grant Notice (the "***Grant Date***").

1.2 Incorporation of Terms of Plan. The Option is subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan will control.

ARTICLE II.
PERIOD OF EXERCISABILITY

2.1 Commencement of Exercisability. The Option will vest and become exercisable according to the vesting schedule in the Grant Notice (the "***Vesting Schedule***") except that any fraction of a Share as to which the Option would be vested or exercisable will be accumulated and will vest and become exercisable only when a whole Share has accumulated. Notwithstanding anything in the Grant Notice, the Plan or this Agreement to the contrary, unless the Administrator otherwise determines, the Option will immediately expire and be forfeited as to any portion that is not vested and exercisable as of Participant's Termination of Service for any reason (after taking into consideration any accelerated vesting and exercisability which may occur in connection with such Termination of Service).

2.2 Duration of Exercisability. The Vesting Schedule is cumulative. Any portion of the Option which vests and becomes exercisable will remain vested and exercisable until the Option expires. The Option will be forfeited immediately upon its expiration.

2.3 Expiration of Option. The Option may not be exercised to any extent by anyone after, and will expire on, the first of the following to occur:

(a) The final expiration date in the Grant Notice; *provided*, however, such final expiration date may be extended pursuant to Section 5.3 of the Plan;

(b) Except as the Administrator may otherwise approve, the expiration of three months from the date of Participant's Termination of Service, unless Participant's Termination of Service is for Cause or by reason of Participant's death or Disability;

(c) Except as the Administrator may otherwise approve, the expiration of one year from the date of Participant's Termination of Service by reason of Participant's death or Disability; and

(d) Except as the Administrator may otherwise approve, Participant's Termination of Service for Cause.

ARTICLE III.
EXERCISE OF OPTION

3 . 1 Person Eligible to Exercise. During Participant's lifetime, only Participant may exercise the Option. After Participant's death, any exercisable portion of the Option may, prior to the time the Option expires, be exercised by Participant's Designated Beneficiary as provided in the Plan.

3.2 Partial Exercise. Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised, in whole or in part, according to the procedures in the Plan at any time prior to the time the Option or portion thereof expires, except that the Option may only be exercised for whole Shares.

3.3 Tax Withholding; Exercise Price.

(a) Subject to Section 3.3(b) and 3.3(c), payment of the exercise price and withholding tax obligations with respect to the Option may be by any of the following, or a combination thereof, as determined by the Company:

(i) Cash or check;

(ii) In whole or in part by delivery of Shares, including Shares delivered by attestation and Shares retained from the Option creating the tax obligation, valued at their Fair Market Value on the date of delivery;

(iii) Subject to Section 9.10 of the Plan, delivery (including electronically or telephonically to the extent permitted by the Company) by Participant to the Company of a copy of irrevocable and unconditional instructions to a broker acceptable to the Company that Participant has placed a market sell order with such broker with respect to Shares then-issuable upon exercise of the Option, and that the broker has been directed to deliver promptly to the Company funds sufficient to satisfy the applicable exercise price and/or tax withholding obligations; provided, that payment of such proceeds is then made to the Company at such time as may be required by the Administrator; or

(iv) In whole or in part by the Company withholding of Shares otherwise issuable upon exercise of this Option.

(b) Unless the Company otherwise determines, the Company shall withhold, or cause to be withheld, Shares otherwise issuable under this Option in satisfaction of any exercise price and/or applicable withholding tax obligations.

(c) Subject to Section 9.5 of the Plan, the applicable tax withholding obligation will be determined based on Participant's Applicable Withholding Rate. Participant's "***Applicable Withholding Rate***" shall mean (i) if Participant is subject to Section 16 of the Exchange Act, the greater of (A) the minimum applicable statutory tax withholding rate or (B) with Participant's consent, the maximum individual tax withholding rate permitted under the rules of the applicable taxing authority for tax withholding attributable to the underlying transaction, or (ii) if Participant is not subject to Section 16 of the Exchange Act, the minimum applicable statutory tax withholding rate or such other higher rate approved by the Company; *provided*, *however*, that (i) in no event shall Participant's Applicable Withholding Rate exceed the maximum individual statutory tax rate in the applicable jurisdiction at the time of such withholding (or such other rate as may be required to avoid the liability classification of the applicable award under generally accepted accounting principles in the United States of America); and (ii) the number of Shares tendered or withheld, if applicable, shall be rounded up to the nearest whole Share sufficient to cover the applicable tax withholding obligation, to the extent rounding up to the nearest whole Share does not result in the liability classification of the Option under generally accepted accounting principles.

(d) Participant acknowledges that Participant is ultimately liable and responsible for the exercise price and all taxes owed in connection with the Option (and, with respect to taxes, regardless of any action the Company or any Subsidiary takes with respect to any tax withholding obligations that arise in connection with the Option). Neither the Company nor any Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or exercise of the Option or the subsequent sale of Shares. The Company and its Subsidiaries do not commit and are under no obligation to structure the Option to reduce or eliminate Participant's tax liability.

ARTICLE IV.
OTHER PROVISIONS

4.1 Adjustments. Participant acknowledges that the Option is subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan.

4.2 Clawback. The Option and the Shares issuable hereunder shall be subject to any clawback or recoupment policy in effect on the Grant Date or as may be adopted or maintained by the Company following the Grant Date, including the Company's Policy for Recovery of Erroneously Awarded Compensation.

4.3 Notices. Any notice to be given under the terms of this Agreement to the Company must be in writing and addressed to the Company in care of the Company's Chief Legal Officer and General Counsel at the Company's principal office or the Chief Legal Officer and General Counsel's then-current email address or facsimile number. Any notice to be given under the terms of this Agreement to Participant must be in writing and addressed to Participant (or, if Participant is then deceased, to the Designated Beneficiary) at Participant's last known mailing address, email address or facsimile number in the Company's personnel files. By a notice given pursuant to this Section, either party may designate a different address for notices to be given to that party. Any notice will be deemed duly given when actually received, when sent by email, when sent by certified mail (return receipt requested) and deposited with postage prepaid in a post office or branch post office regularly maintained by the United States Postal Service, when delivered by a nationally recognized express shipping company or upon receipt of a facsimile transmission confirmation.

4.4 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

4.5 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws and, to the extent Applicable Laws permit, will be deemed amended as necessary to conform to Applicable Laws.

4.6 Successors and Assigns. The Company may assign any of its rights under this Agreement to a single or multiple assignees, and this Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in this Agreement or the Plan, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

4.7 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Grant Notice, this Agreement and the Option will be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3) that are requirements for the application of such exemptive rule. To the extent Applicable Laws permit, this Agreement will be deemed amended as necessary to conform to such applicable exemptive rule.

4.8 Entire Agreement; Amendment. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board; provided, however, that except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall materially and adversely affect the Option without the prior written consent of Participant.

4.9 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held illegal or invalid, the provision will be severable from, and the illegality or invalidity of the provision will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

4.10 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and may not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant will have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the Option, and rights no greater than the right to receive the Shares as a general unsecured creditor with respect to the Option, as and when exercised pursuant to the terms of this Agreement.

4.11 Not a Contract of Employment. Nothing in the Plan, the Grant Notice or this Agreement confers upon Participant any right to continue in the employ or service of the Company or any Subsidiary or interferes with or restricts in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

4.12 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which will be deemed an original and all of which together will constitute one instrument.

4.13 Incentive Stock Options. If the Option is designated as an Incentive Stock Option:

(a) Participant acknowledges that to the extent the aggregate fair market value of shares (determined as of the time the option with respect to the shares is granted) with respect to which stock options intended to qualify as "incentive stock options" under Section 422 of the Code, including the Option, are exercisable for the first time by Participant during any calendar year exceeds $100,000 or if for any other reason such stock options do not qualify or cease to qualify for treatment as "incentive stock options" under Section 422 of the Code, such stock options (including the Option) will be treated as non-qualified stock options. Participant further acknowledges that the rule set forth in the preceding sentence will be applied by taking the Option and other stock options into account in the order in which they were granted, as determined under Section 422(d) of the Code. Participant also acknowledges that if the Option is exercised more than three months after Participant's Termination of Service, other than by reason of death or Disability, the Option will be taxed as a Non-Qualified Stock Option.

(b) Participant will give prompt written notice to the Company of any disposition or other transfer of any Shares acquired under this Agreement if such disposition or other transfer is made (i) within two years from the Grant Date or (ii) within one year after the transfer of such Shares to Participant. Such notice will specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by Participant in such disposition or other transfer.

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PACS GROUP, INC.

2024 INCENTIVE AWARD PLAN

RESTRICTED STOCK UNIT GRANT NOTICE

PACS Group, Inc., a Delaware corporation (the "***Company***"), has granted to the participant listed below ("***Participant***") the Restricted Stock Units (the "***RSUs***") described in this Restricted Stock Unit Grant Notice (this "***Grant Notice***"), subject to the terms and conditions of the PACS Group, Inc. 2024 Incentive Award Plan (as amended from time to time, the "***Plan***") and the Restricted Stock Unit Agreement attached hereto as **Exhibit A** (the "***Agreement***"), both of which are incorporated into this Grant Notice by reference. Capitalized terms not specifically defined in this Grant Notice or the Agreement have the meanings given to them in the Plan.

Participant:	[To be specified]
Grant Date:	[To be specified]
Number of RSUs:	[To be specified]
Vesting Commencement Date:	[To be specified]
Vesting Schedule:	[To be specified]

By accepting (whether in writing, electronically or otherwise) the RSUs, Participant agrees to be bound by the terms of this Grant Notice, the Plan and the Agreement. Participant has reviewed the Plan, this Grant Notice and the Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, this Grant Notice and the Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, this Grant Notice or the Agreement.

PACS GROUP, INC.		**PARTICIPANT**
By:	______________________	______________________
Name:	______________________	[Participant Name]
Title:	______________________	

RESTRICTED STOCK UNIT AGREEMENT

Capitalized terms not specifically defined in this Restricted Stock Unit Agreement (this " ***Agreement***") have the meanings specified in the Grant Notice or, if not defined in the Grant Notice, in the Plan.

ARTICLE I.
GENERAL

1.1 Award of RSUs. The Company has granted the RSUs to Participant effective as of the Grant Date set forth in the Grant Notice (the " ***Grant Date***"). Each RSU represents the right to receive one Share as set forth in this Agreement. Participant will have no right to the distribution of any Shares until the time (if ever) the RSUs have vested.

1.2 Incorporation of Terms of Plan. The RSUs are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan will control.

1.3 Unsecured Promise. The RSUs will at all times prior to settlement represent an unsecured Company obligation payable only from the Company's general assets.

ARTICLE II.
VESTING; FORFEITURE AND SETTLEMENT

2.1 Vesting; Forfeiture. The RSUs will vest according to the vesting schedule in the Grant Notice except that any fraction of an RSU that would otherwise be vested will be accumulated and will vest only when a whole RSU has accumulated. In the event of Participant's Termination of Service for any reason, all unvested RSUs will immediately and automatically be cancelled and forfeited (after taking into consideration any accelerated vesting which may occur in connection with such Termination of Service), except as otherwise determined by the Administrator or provided in a binding written agreement between Participant and the Company.

2.2 Settlement.

(a) The RSUs will be paid in Shares as soon as administratively practicable after the vesting of the applicable RSU, but in no event later than March 15 of the year following the year in which the RSU's vesting date occurs.

(b) Notwithstanding the foregoing, the Company may delay any payment under this Agreement that the Company reasonably determines would violate Applicable Law until the earliest date the Company reasonably determines the making of the payment will not cause such a violation (in accordance with Treasury Regulation Section 1.409A-2(b)(7)(ii)); provided the Company reasonably believes the delay will not result in the imposition of excise taxes under Section 409A.

ARTICLE III.
TAXATION AND TAX WITHHOLDING

3.1 Representation. Participant represents to the Company that Participant has reviewed with Participant's own tax advisors the tax consequences of this award of RSUs (the "***Award***") and the transactions contemplated by the Grant Notice and this Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents.

3.2 Tax Withholding.

(a) Subject to Section 3.2(b), payment of the withholding tax obligations with respect to the Award may be by any of the following, or a combination thereof, as determined by the Company:

(i) Cash or check;

(ii) In whole or in part by delivery of Shares, including Shares delivered by attestation and Shares retained from the Award creating the tax obligation, valued at their Fair Market Value on the date of delivery;

(iii) Subject to Section 9.10 of the Plan, delivery (including electronically or telephonically to the extent permitted by the Company) by Participant to the Company of a copy of irrevocable and unconditional instructions to a broker acceptable to the Company that Participant has placed a market sell order with such broker with respect to Shares then-issuable upon settlement of the Award, and that the broker has been directed to deliver promptly to the Company funds sufficient to satisfy the applicable tax withholding obligations; provided, that payment of such proceeds is then made to the Company at such time as may be required by the Administrator; or

(iv) In whole or in part by the Company withholding of Shares otherwise vesting or issuable under this Award in satisfaction of any applicable withholding tax obligations.

(b) Unless the Company otherwise determines, the Company shall withhold, or cause to be withheld, Shares otherwise vesting or issuable under this Award in satisfaction of any applicable withholding tax obligations.

(c) Subject to Section 9.5 of the Plan, the applicable tax withholding obligation will be determined based on Participant's Applicable Withholding Rate. Participant's "***Applicable Withholding Rate***" shall mean (i) if Participant is subject to Section 16 of the Exchange Act, the greater of (A) the minimum applicable statutory tax withholding rate or (B) with Participant's consent, the maximum individual tax withholding rate permitted under the rules of the applicable taxing authority for tax withholding attributable to the underlying transaction, or (ii) if Participant is not subject to Section 16 of the Exchange Act, the minimum applicable statutory tax withholding rate or such other higher rate approved by the Company; *provided*, *however*, that (i) in no event shall Participant's Applicable Withholding Rate exceed the maximum individual statutory tax rate in the applicable jurisdiction at the time of such withholding (or such other rate as may be required to avoid the liability classification of the applicable award under generally accepted accounting principles in the United States of America); and (ii) the number of Shares tendered or withheld, if applicable, shall be rounded up to the nearest whole Share sufficient to cover the applicable tax withholding obligation, to the extent rounding up to the nearest whole Share does not result in the liability classification of the RSUs under generally accepted accounting principles.

(d) Participant acknowledges that Participant is ultimately liable and responsible for all taxes owed in connection with the RSUs, regardless of any action the Company or any Subsidiary takes with respect to any tax withholding obligations that arise in connection with the RSUs. Neither the

Company nor any Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the RSUs or the subsequent sale of Shares. The Company and its Subsidiaries do not commit and are under no obligation to structure the RSUs to reduce or eliminate Participant's tax liability.

ARTICLE IV.
OTHER PROVISIONS

4.1 Adjustments. Participant acknowledges that the RSUs and the Shares subject to the RSUs are subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan.

4.2 Clawback. The Award and the Shares issuable hereunder shall be subject to any clawback or recoupment policy in effect on the Grant Date or as may be adopted or maintained by the Company following the Grant Date, including the Company's Policy for Recovery of Erroneously Awarded Compensation.

4.3 Notices. Any notice to be given under the terms of this Agreement to the Company must be in writing and addressed to the Company in care of the Company's Chief Legal Officer and General Counsel at the Company's principal office or the Chief Legal Officer and General Counsel's then-current email address or facsimile number. Any notice to be given under the terms of this Agreement to Participant must be in writing and addressed to Participant (or, if Participant is then deceased, to the Designated Beneficiary) at Participant's last known mailing address, email address or facsimile number in the Company's personnel files. By a notice given pursuant to this Section, either party may designate a different address for notices to be given to that party. Any notice will be deemed duly given when actually received, when sent by email, when sent by certified mail (return receipt requested) and deposited with postage prepaid in a post office or branch post office regularly maintained by the United States Postal Service, when delivered by a nationally recognized express shipping company or upon receipt of a facsimile transmission confirmation.

4.4 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

4.5 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws and, to the extent Applicable Laws permit, will be deemed amended as necessary to conform to Applicable Laws.

4.6 Successors and Assigns. The Company may assign any of its rights under this Agreement to a single or multiple assignees, and this Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in this Agreement or the Plan, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

4.7 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Grant Notice, this Agreement and the RSUs will be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3) that are requirements for the application of such exemptive rule. To the extent Applicable Laws permit, this Agreement will be deemed amended as necessary to conform to such applicable exemptive rule.

4.8 Entire Agreement; Amendment. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board; provided, however, that except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall materially and adversely affect the RSUs without the prior written consent of Participant.

4.9 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held illegal or invalid, the provision will be severable from, and the illegality or invalidity of the provision will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

4.10 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and may not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant will have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the RSUs, and rights no greater than the right to receive cash or the Shares as a general unsecured creditor with respect to the RSUs, as and when settled pursuant to the terms of this Agreement.

4.11 Not a Contract of Employment. Nothing in the Plan, the Grant Notice or this Agreement confers upon Participant any right to continue in the employ or service of the Company or any Subsidiary or interferes with or restricts in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

4.12 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which will be deemed an original and all of which together will constitute one instrument.

* * * * *

PACS GROUP, INC.

2024 INCENTIVE AWARD PLAN

RESTRICTED STOCK UNIT GRANT NOTICE

PACS Group, Inc., a Delaware corporation (the "***Company***"), has granted to the participant listed below ("***Participant***") the Restricted Stock Units (the "***RSUs***") described in this Restricted Stock Unit Grant Notice (this "***Grant Notice***"), subject to the terms and conditions of the PACS Group, Inc. 2024 Incentive Award Plan (as amended from time to time, the "***Plan***") and the Restricted Stock Unit Agreement attached hereto as **Exhibit A** (the "***Agreement***"), both of which are incorporated into this Grant Notice by reference. Capitalized terms not specifically defined in this Grant Notice or the Agreement have the meanings given to them in the Plan.

Participant:	[To be specified]
Grant Date:	[To be specified]
Number of RSUs:	[To be specified]
Vesting Schedule:	The RSUs will vest (i) with respect to 25% of the RSUs, on the Grant Date and (ii) with respect to 75% of the RSUs, in substantially equal annual installments on the first, second, third, fourth and fifth anniversaries of [_____], subject to Participant's continued service through the applicable vesting date.[1]

The Company and Participant acknowledge and agree that Participant's receipt of the RSUs is subject to Participant's execution of this Grant Notice and compliance with the restrictive covenants set forth in Exhibit B attached hereto (the "***Restrictive Covenants***"). By accepting (whether in writing, electronically or otherwise) the RSUs, Participant agrees (i) to be bound by the terms of this Grant Notice, the Plan, the Agreement and the Restrictive Covenants, and (ii) any awards granted to Participant pursuant to that certain letter agreement dated [_____] regarding a Long-Term Incentive Plan and LTIP Substitute Payment Award (the "***LTIP Agreement***") shall be cancelled as of immediately prior to the Grant Date, and Participant shall have no further right, title or interest in respect of such awards, and the LTIP Agreement shall be null and void. Participant has reviewed the Plan, this Grant Notice, the Agreement and the Restrictive Covenants in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, this Grant Notice, the Agreement and the Restrictive Covenants. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, this Grant Notice, the Agreement or the Restrictive Covenants.

[1] NTD: Will refer to IPO closing date.

PACS GROUP, INC.		**PARTICIPANT**
By:	______________________	______________________
Name:	______________________	[Participant Name]
Title:	______________________	

RESTRICTED STOCK UNIT AGREEMENT

Capitalized terms not specifically defined in this Restricted Stock Unit Agreement (this " ***Agreement***") have the meanings specified in the Grant Notice or, if not defined in the Grant Notice, in the Plan.

ARTICLE I.
GENERAL

1.1 Award of RSUs. The Company has granted the RSUs to Participant effective as of the Grant Date set forth in the Grant Notice (the " ***Grant Date***"). Each RSU represents the right to receive one Share as set forth in this Agreement. Participant will have no right to the distribution of any Shares until the time (if ever) the RSUs have vested.

1.2 Incorporation of Terms of Plan. The RSUs are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan will control.

1.3 Unsecured Promise. The RSUs will at all times prior to settlement represent an unsecured Company obligation payable only from the Company's general assets.

1.4 Defined Terms.

(a) "***Cause***" shall have the meaning ascribed to such term in the Company's Executive Severance Plan.

(b) "***Change in Control Period***" shall mean the 24 month period beginning on the date on which a Change in Control occurs.

(c) "***Good Reason***" shall have the meaning ascribed to such term in the Company's Executive Severance Plan.

(d) "***Qualifying Termination***" shall mean Participant's Termination of Service (i) by the Company without Cause, (ii) by Participant for Good Reason or (iii) due to Participant's death or Disability.

ARTICLE II.
VESTING; FORFEITURE AND SETTLEMENT

2.1 Vesting; Forfeiture.

(a) The RSUs will vest according to the vesting schedule in the Grant Notice except that any fraction of an RSU that would otherwise be vested will be accumulated and will vest only when a whole RSU has accumulated. Other than as set forth in Section 2.1(b) below, in the event of Participant's Termination of Service for any reason, all unvested RSUs will immediately and automatically be cancelled and forfeited (after taking into consideration any accelerated vesting which may occur in connection with such Termination of Service), except as otherwise determined by the Administrator or provided in a binding written agreement between Participant and the Company.

(b) Qualifying Termination. Upon Participant's Qualifying Termination that does not occur during the Change in Control Period, then a number of RSUs shall vest equal to the number of RSUs that would have vested during the 12-month period following the date of termination, had Participant continued in service with the Company during such period (assuming that the RSUs vest in equal monthly installments, rather than annual installments, over the vesting period), and any remaining unvested RSUs as of such date will immediately and automatically be cancelled and forfeited. Upon Participant's Qualifying Termination that occurs during the Change in Control Period, 100% of the unvested RSUs shall vest.

(c) Release; Restrictive Covenants. The accelerated vesting set forth in Section 2.1(b) is subject to and conditioned upon (i) Participant's (or Participant's estate's) execution, delivery and non-revocation of a general release of claims in a form attached to the Company's Executive Severance Plan within 30 days (or, to the extent required by law, 52 days) following the date of Participant's Termination of Service and (ii) Participant's continued compliance with the Restrictive Covenants or any other confidentiality, intellectual property assignment, non-competition, non-solicitation, non-disparagement and other protective covenants between the Company (or an affiliate) and Participant.

2.2 Settlement.

(a) The RSUs will be paid in Shares as soon as administratively practicable after the vesting of the applicable RSU, but in no event later than March 15 of the year following the year in which the RSU's vesting date occurs.

(b) Notwithstanding the foregoing, the Company may delay any payment under this Agreement that the Company reasonably determines would violate Applicable Law until the earliest date the Company reasonably determines the making of the payment will not cause such a violation (in accordance with Treasury Regulation Section 1.409A-2(b)(7)(ii)); provided the Company reasonably believes the delay will not result in the imposition of excise taxes under Section 409A.

ARTICLE III.
TAXATION AND TAX WITHHOLDING

3 . 1 Representation. Participant represents to the Company that Participant has reviewed with Participant's own tax advisors the tax consequences of this award of RSUs (the "***Award***") and the transactions contemplated by the Grant Notice and this Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents.

3.2 Tax Withholding.

(a) Subject to Section 3.2(b), payment of the withholding tax obligations with respect to the Award may be by any of the following, or a combination thereof, as determined by the Company:

(i) Cash or check;

(ii) In whole or in part by delivery of Shares, including Shares delivered by attestation and Shares retained from the Award creating the tax obligation, valued at their Fair Market Value on the date of delivery;

(iii) Subject to Section 9.10 of the Plan, delivery (including electronically or telephonically to the extent permitted by the Company) by Participant to the Company of a copy of irrevocable and unconditional instructions to a broker acceptable to the Company that Participant has placed a market sell order with such broker with respect to Shares then-issuable upon settlement of the Award, and that the broker has been directed to deliver promptly to the Company funds sufficient to satisfy the applicable tax withholding obligations; provided, that payment of such proceeds is then made to the Company at such time as may be required by the Administrator; or

(iv) In whole or in part by the Company withholding of Shares otherwise vesting or issuable under this Award in satisfaction of any applicable withholding tax obligations.

(b) Unless the Company otherwise determines, the Company shall withhold, or cause to be withheld, Shares otherwise vesting or issuable under this Award in satisfaction of any applicable withholding tax obligations.

(c) Subject to Section 9.5 of the Plan, the applicable tax withholding obligation will be determined based on Participant's Applicable Withholding Rate. Participant's "***Applicable Withholding Rate***" shall mean (i) if Participant is subject to Section 16 of the Exchange Act, the greater of (A) the minimum applicable statutory tax withholding rate or (B) with Participant's consent, the maximum individual tax withholding rate permitted under the rules of the applicable taxing authority for tax withholding attributable to the underlying transaction, or (ii) if Participant is not subject to Section 16 of the Exchange Act, the minimum applicable statutory tax withholding rate or such other higher rate approved by the Company; *provided*, *however*, that (i) in no event shall Participant's Applicable Withholding Rate exceed the maximum individual statutory tax rate in the applicable jurisdiction at the time of such withholding (or such other rate as may be required to avoid the liability classification of the applicable award under generally accepted accounting principles in the United States of America); and (ii) the number of Shares tendered or withheld, if applicable, shall be rounded up to the nearest whole Share sufficient to cover the applicable tax withholding obligation, to the extent rounding up to the nearest whole Share does not result in the liability classification of the RSUs under generally accepted accounting principles.

(d) Participant acknowledges that Participant is ultimately liable and responsible for all taxes owed in connection with the RSUs, regardless of any action the Company or any Subsidiary takes with respect to any tax withholding obligations that arise in connection with the RSUs. Neither the Company nor any Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the RSUs or the subsequent sale of Shares. The Company and its Subsidiaries do not commit and are under no obligation to structure the RSUs to reduce or eliminate Participant's tax liability.

ARTICLE IV.
OTHER PROVISIONS

4.1 Adjustments. Participant acknowledges that the RSUs and the Shares subject to the RSUs are subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan.

4.2 Clawback. The Award and the Shares issuable hereunder shall be subject to any clawback or recoupment policy in effect on the Grant Date or as may be adopted or maintained by the

Company following the Grant Date, including the Company's Policy for Recovery of Erroneously Awarded Compensation.

4.3 Notices. Any notice to be given under the terms of this Agreement to the Company must be in writing and addressed to the Company in care of the Company's Chief Legal Officer and General Counsel at the Company's principal office or the Chief Legal Officer and General Counsel's then-current email address or facsimile number. Any notice to be given under the terms of this Agreement to Participant must be in writing and addressed to Participant (or, if Participant is then deceased, to the Designated Beneficiary) at Participant's last known mailing address, email address or facsimile number in the Company's personnel files. By a notice given pursuant to this Section, either party may designate a different address for notices to be given to that party. Any notice will be deemed duly given when actually received, when sent by email, when sent by certified mail (return receipt requested) and deposited with postage prepaid in a post office or branch post office regularly maintained by the United States Postal Service, when delivered by a nationally recognized express shipping company or upon receipt of a facsimile transmission confirmation.

4.4 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

4.5 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws and, to the extent Applicable Laws permit, will be deemed amended as necessary to conform to Applicable Laws.

4.6 Successors and Assigns. The Company may assign any of its rights under this Agreement to a single or multiple assignees, and this Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in this Agreement or the Plan, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

4.7 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Grant Notice, this Agreement and the RSUs will be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3) that are requirements for the application of such exemptive rule. To the extent Applicable Laws permit, this Agreement will be deemed amended as necessary to conform to such applicable exemptive rule.

4.8 Entire Agreement; Amendment. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board; provided, however, that except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall materially and adversely affect the RSUs without the prior written consent of Participant.

4.9 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held illegal or invalid, the provision will be severable from, and the illegality or invalidity of the provision will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

4.10 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and may not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant will have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the RSUs, and rights no greater than the right to receive cash or the Shares as a general unsecured creditor with respect to the RSUs, as and when settled pursuant to the terms of this Agreement.

4.11 Not a Contract of Employment. Nothing in the Plan, the Grant Notice or this Agreement confers upon Participant any right to continue in the employ or service of the Company or any Subsidiary or interferes with or restricts in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

4.12 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which will be deemed an original and all of which together will constitute one instrument.

* * * * *

RESTRICTIVE COVENANTS

In consideration for and as a condition to my employment or continued employment by Providence Administrative Consulting Services, Inc. (together with any of its parent companies, subsidiaries or affiliated entities, and any of their successors or assigns collectively, the "***Company***"), and for other good and valuable consideration, including the RSUs set forth in the Grant Notice, the receipt and sufficiency of which is hereby acknowledged, I, the undersigned employee, agree to the following terms:

1 . Proprietary Information. During the term of my employment, whether before or after the Effective Date, I may have received or may hereinafter receive or otherwise be exposed, directly or indirectly, to confidential and proprietary information of the Company whether in graphic, written, electronic, aural or oral form, including without limitation information relating to the Company's business, strategies, designs, products and services and any derivatives, improvements and enhancements relating to any of the foregoing, or to the Company's suppliers, customers or business partners (collectively "***Proprietary Information***"). Proprietary Information may be identified at the time of disclosure as confidential or proprietary or information which by its context would reasonably be deemed to be confidential or proprietary. "Proprietary Information" may also include without limitation, business and financial information, including without limitation information relating to investors, employees, business and contractual relationships, business forecasts, sales and merchandising, business and marketing plans, product plans, and business strategies, including without limitation information the Company provides regarding third parties, such as, but not limited to, suppliers, customers, employees, investors, or vendors, and any other information, to the extent such information contains, reflects or is based upon any of the foregoing Proprietary Information. The Proprietary Information may also include information of a third party that is disclosed to me by the Company or such third party at the Company's direction.

2 . Obligations of Non-Use and Nondisclosure. I acknowledge the confidential and secret character of the Proprietary Information, and agree that the Proprietary Information is the sole, exclusive and valuable property of the Company. Except as provided herein below and in Section 3 below, I agree that I have not used and will not use the Proprietary Information except in the performance of my authorized duties as an employee of the Company, and I agree to not disclose all or any part of the Proprietary Information in any form to any third party, either during or after the term of my employment, without the prior written consent of the Company on a case-by-case basis. I understand that my obligations of nondisclosure with respect to Proprietary Information shall not apply to information that I can establish by competent proof (x) was actually in the public domain at the time of disclosure or enters the public domain following disclosure other than as a result of a breach of the terms contained in this Exhibit B, (y) is already in my possession without breach of any obligations of confidentiality at the time of disclosure by the Company as shown by my files and records immediately prior to the time of disclosure, or (z) is obtained by me from a third party not under confidentiality obligations and without a breach of any obligations of confidentiality. If I become compelled by law, regulation (including without limitation the rules of any applicable securities exchange), court order, or other governmental authority to disclose the Proprietary Information, I shall, to the extent possible and permissible under applicable law, first give the Company prompt notice. I agree to cooperate reasonably with the Company in any proceeding to obtain a protective order or other remedy. If such protective order or other remedy is not obtained, I shall only disclose that portion of such Proprietary Information required to be disclosed, in the opinion of my legal counsel. I shall request that confidential treatment be accorded such Proprietary Information, where available. Compulsory disclosures made pursuant to this Section shall not relieve me of my obligations of confidentiality and non-use with respect to non-compulsory disclosures. I shall promptly notify my supervisor or any officer of the Company if I learn of any possible unauthorized use

or disclosure of Proprietary Information and shall cooperate fully with the Company to enforce its rights in such information.

3 . Protected Activity. Nothing in this Exhibit B is intended to or shall prevent me from: communicating directly with, cooperating with, or providing information to, any federal, state or local government agency, including, but not limited to, the U.S. Securities and Exchange Commission, the U.S. Commodity Futures Trading Commission, the U.S. Equal Employment Opportunity Commission, the U.S. National Labor Relations Act, or the U.S. Department of Justice; exercising any rights I may have as a supervisor under Section 7 of the U.S. National Labor Relations Act, such as the right to engage in concerted activity, including collective action or discussion concerning wages or working conditions; or discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination based on a protected characteristic or any other conduct that I have reason to believe is unlawful. I acknowledge that the Company has provided me notice of my immunity rights under the U.S. Defend Trade Secrets Act, which states: "(1) An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (2) an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order."

4 . Non-Competition. During the term of my employment with the Company, and for a period of one (1) year immediately following the termination of such employment for any reason (the "***Non-Competition Restricted Period***"), I will not, directly or indirectly, for my own benefit or for the benefit of any other individual or entity other than the Company: (a) operate, conduct, or engage in, or prepare to operate, conduct, or engage in any Competing Business; (b) own, finance, or invest in (except as the holder of not more than one percent (1%) of the outstanding stock of a publicly-held company) any Competing Business, or (c) render services to any person or entity that engages in or is preparing to engage in any Competing Business in any capacity, whether as an employee, consultant, contractor, partner, officer, director, or otherwise, which involves the same or similar types of services I performed for the Company at any time during the last two years of my employment with the Company, which involve executive, financial, strategic, or operational duties, or in which I could reasonably be expected to use or disclose Proprietary Information, in each case (a), (b), or (c) in the Restricted Territory.

5 . Non-Solicitation of Company Personnel. During the term of my employment with the Company, and for a period of two (2) years immediately following the termination of such employment for any reason (the "***Non-Solicitation Restricted Period***"), I will not, directly or indirectly, for my own benefit or for the benefit of any other individual or entity: (a) employ or hire any Company Personnel in any capacity (whether as an employee, contractor, consultant or otherwise); (b) solicit or attempt to solicit for employment or hire any Company Personnel in any capacity; (c) entice or induce any Company Personnel to leave his or her or their employment with the Company; or (d) otherwise negatively interfere with the Company's relationship with any Company Personnel. Notwithstanding the foregoing, a general solicitation or advertisement for job opportunities that I may publish without targeting any Company Personnel shall not be considered a violation of Section 5(b).

6. Non-Solicitation of Company Customer. During the Non-Solicitation Restricted Period, I will not, directly or indirectly, for my own benefit or for the benefit of any other individual or entity: (a)

solicit business from any Company Customer or provide or offer to provide to any Company Customer any products or services that are similar to or otherwise competitive with any product or service provided by, or that could be provided by, the Company; (b) cause or encourage any Company Customer to reduce or cease doing business with the Company, or (c) otherwise negatively interfere with the Company's relationships with any Company Customer.

7. Non-Disparagement. Except as provided herein below and in Section 3, I agree to not publish or post (including without limitation on social media), or make to any person, any false or negative statements about the Company or its directors, officers, employees, goods or services, or business practices, at any time, both during and following my employment, except the foregoing covenant shall not restrict me from making truthful statements internally within the Company in furtherance of my legitimate job duties to the Company or truthfully responding to a subpoena, court order or other legal requirement.

8. Tolling Period. Without limiting the Company's ability to seek other remedies available in law or equity, if I violate any of the provisions of Sections 4, 5 or 6, the Non-Competition and/or Non-Solicitation Restricted Period, as applicable, shall be extended by one day for each day that I am in violation of such provisions, up to a maximum extension equal to the length of the post-termination Non-Competition and/or Non-Solicitation Restricted Period, as applicable, so as to give the Company the full benefit of the bargained-for length of forbearance.

9. Interpretation. If any restriction set forth in the Restrictive Covenants is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

10. Waiver. At any time, the Company may in its sole discretion elect to waive any or part of the Restrictive Covenants, provided any such waiver is expressly agreed to in writing by an executive officer of the Company, or, if I am an executive officer of the Company, by the Board of Directors of the Company.

11. Definitions.

(a) The term "Company Customer" means any individual or entity who (i) is, or was at any time during the one (1) year period prior to the termination of my employment with the Company, a customer, supplier, or vendor of the Company of whom I learned, with whom I had business contact or about whom I obtained Proprietary Information at any time during my employment with the Company, or (ii) is a prospective customer, supplier, or vendor of the Company of whom I learned, with whom I had business contact, or about whom I obtained Proprietary Information as part of a solicitation of business on behalf of the Company at any time during the one (1) year period prior to my termination of employment with the Company.

(b) The term "Company Personnel" means any individual or entity who is or was at any time during the six-month period prior to my solicitation or other activity prohibited by Section 5, employed or engaged (whether as an employee, consultant, independent contractor or in any other capacity) by the Company, excluding any individual or entity with whom or which I had no contact and about whom I acquired no information during my employment with the Company.

(c) The term "Competing Business" means any business or part thereof that operates skilled nursing care or post-acute care facilities, or within the skilled nursing care or post-acute care industries, or that develops, manufactures, markets, licenses, sells or provides any product or service that competes with any product or service developed, manufactured, marketed, licensed, sold or provided by the Company within such industries at any time during my employment with the Company, or with a product or service planned to be developed, manufactured, marketed, licensed, sold or provided by the Company as of the termination of my employment from the Company, excluding any business or planned business in which I had no duties or responsibilities and about which I acquired no Proprietary Information during my employment with the Company.

(d) The term "employment" means any period of employment or engagement, whether as an employee or independent contractor, with the Company. I agree that neither my reclassification from an employee to an independent contractor, or vice versa, nor the technical transfer of my employment from one Company entity to another Company entity, shall not serve as a termination for purposes of this Exhibit B.

(e) The term "Restricted Territory" means each city, county, state, territory and country in which (i) I provided services or had a material presence or influence at any time during the last two years of my employment with the Company or (ii) the Company is engaged in or has plans to engage in business as of the termination of my employment with the Company.

12. Miscellaneous.

(a) Any subsequent change or changes in my duties, obligations, rights or compensation will not affect the validity or scope of this Exhibit B. This Exhibit B may not be waived, modified or amended unless mutually agreed upon in writing by both parties. No delay or omission by the Company in exercising any right under this Exhibit B will operate as a waiver of that or any other right. A waiver or consent given by the Company on any one occasion is effective only in that instance and will not be construed as a bar to or waiver of any right on any other occasion.

(b) If any provision of this Exhibit B is found by a proper authority to be unenforceable or invalid such unenforceability or invalidity shall not render this Exhibit B unenforceable or invalid as a whole and in such event, such provision shall be changed and interpreted so as to best accomplish the objectives of such unenforceable or invalid provision within the limits of applicable law or applicable court decisions and the remainder of the terms, provisions, covenants and restrictions of this Exhibit B shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

(c) I acknowledge that the Company will suffer substantial damages not readily ascertainable or compensable in terms of money in the event of the breach of any of my obligations under this Exhibit B. I therefore agree that the Company shall be entitled (without limitation of any other rights or remedies otherwise available to the Company) to obtain an injunction from any court of competent jurisdiction prohibiting the continuance or recurrence of any breach of this Exhibit B.

(d) Governing Law. The rights and obligations of the parties under this Exhibit B shall be governed in all respects by the laws of the State of [Utah][2] exclusively, without reference to any conflict of laws rule that would result in the application of the laws of any other jurisdiction. The parties agree that all disputes arising under this Exhibit B shall be adjudicated in the state and federal courts having jurisdiction over disputes arising in [Utah], and I hereby agree to consent to the personal jurisdict

[2] NTD: State law to reflect employee's state of residence.

ion of such court. The Company and I each hereby irrevocably waive any right to a trial by jury in any action, suit or other legal proceeding arising under or relating to any provision of this Exhibit B.

(e) Any notices required or permitted hereunder shall be given to the appropriate party at the address specified on the signature page to this Exhibit B or at such other address as the party shall specify in writing. Such notice shall be deemed given upon personal delivery, or sent by certified or registered mail, postage prepaid, three days after the date of mailing.

(f) Except as otherwise provided herein, the provisions of this Exhibit B shall survive the termination of my employment with the Company for any reason.

I ACKNOWLEDGE THAT I HAVE THE RIGHT TO CONSULT WITH INDEPENDENT LEGAL COUNSEL PRIOR TO SIGNING THE GRANT NOTICE AND HAVE HAD A REASONABLE OPPORTUNITY TO DO SO. I EITHER HAVE CONSULTED, OR VOLUNTARILY CHOSEN NOT TO CONSULT, WITH MY COUNSEL. I FURTHER ACKNOWLEDGE THAT I HAVE READ THIS EXHIBIT B CAREFULLY AND I UNDERSTAND AND ACCEPT THE OBLIGATIONS WHICH IT IMPOSES UPON ME WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO ME TO INDUCE ME TO SIGN THE GRANT NOTICE. I SIGN THE GRANT NOTICE VOLUNTARILY AND KNOWINGLY.

Exhibit 10.8

PACS GROUP, INC.
2024 EMPLOYEE STOCK PURCHASE PLAN

ARTICLE I.
PURPOSE

The purposes of this PACS Group, Inc. 2024 Employee Stock Purchase Plan (as it may be amended or restated from time to time, the " ***Plan***") are to assist Eligible Employees of PACS Group, Inc., a Delaware corporation (the "***Company***"), and its Designated Subsidiaries in acquiring a stock ownership interest in the Company pursuant to a plan which is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423(b) of the Code, and to help Eligible Employees provide for their future security and to encourage them to remain in the employment of the Company and its Designated Subsidiaries.

ARTICLE II.
DEFINITIONS AND CONSTRUCTION

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates. Masculine, feminine and neuter pronouns are used interchangeably and each comprehends the others.

2.1 "***Administrator***" shall mean the entity that conducts the general administration of the Plan as provided in Article XI. The term "Administrator" shall refer to the Committee unless the Board has assumed the authority for administration of the Plan as provided in Article XI.

2.2 "***Applicable Law***" shall mean the requirements relating to the administration of equity incentive plans under U.S. federal and state securities, tax and other applicable laws, rules and regulations, the applicable rules of any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws and rules of any foreign country or other jurisdiction where rights under this Plan are granted.

2.3 "***Board***" shall mean the Board of Directors of the Company.

2.4 "***Change in Control***" shall mean and include each of the following:

(a) A transaction or series of transactions (other than an offering of Common Stock to the general public through a registration statement filed with the Securities and Exchange Commission or a transaction or series of transactions that meets the requirements of clauses (i) and (ii) of subsection (c) below) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) (other than the Company, any of its Subsidiaries, an employee benefit plan maintained by the Company or any of its Subsidiaries or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than 50% of the total combined voting power of the Company's securities outstanding immediately after such acquisition; or

(b) During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in subsections (a) or (c)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(c) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(i) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "***Successor Entity***")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(ii) after which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this clause (ii) as beneficially owning 50% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction.

Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to any portion of any right that provides for the deferral of compensation that is subject to Section 409A of the Code, to the extent required to avoid the imposition of additional taxes under Section 409A of the Code, the transaction or event described in subsection (a), (b) or (c) with respect to such right (or portion thereof) shall only constitute a Change in Control for purposes of the payment timing of such right (or portion thereof) if such transaction also constitutes a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5).

2.5 "***Code***" shall mean the Internal Revenue Code of 1986, as amended and the regulations issued thereunder.

2.6 "***Common Stock***" shall mean the common stock of the Company, par value of $0.001 per share, and such other securities of the Company that may be substituted therefor pursuant to Article VIII.

2.7 "***Company***" shall mean PACS Group, Inc., a Delaware corporation, or any successor.

2.8 "***Compensation***" of an Eligible Employee shall mean the gross cash compensation received by such Eligible Employee as compensation for services to the Company or any Designated Subsidiary, including prior week adjustment, overtime payments, commissions, periodic bonuses, and any salary or wages coded as "holiday pay" or "vacation pay" in the Company's payroll system, but excluding jury duty pay, funeral leave pay, military leave pay, one-time bonuses (e.g., retention or sign on bonuses), education or tuition reimbursements, travel expenses, business and moving reimbursements, income received in connection with any stock options, stock appreciation rights, restricted stock, restricted stock units or other compensatory equity awards, fringe benefits, other special payments and all contributions made by the Company or any Designated Subsidiary for the Employee's benefit under any employee benefit plan now or hereafter established.

2.9 "***Designated Subsidiary***" shall mean any Subsidiary designated by the Administrator in accordance with Section 11.3(b).

2.10 "***Effective Date***" shall mean the date that is immediately prior to the Public Trading Date.

2.11 "***Eligible Employee***" shall mean an Employee who does not, immediately after any rights under this Plan are granted, own (directly or through attribution) stock possessing 5% or more of the total combined voting power or value of all classes of Common Stock and other stock of the Company, a Parent or a Subsidiary (as determined under Section 423(b)(3) of the Code). For purposes of the foregoing sentence, the rules of Section 424(d) of the Code with regard to the attribution of stock ownership shall apply in determining the stock ownership of an individual, and stock that an Employee may purchase under outstanding options shall be treated as stock owned by the Employee; provided, however, that the Administrator may provide in an Offering Document that an Employee shall not be eligible to participate in an Offering Period if: (a) such Employee is a highly compensated employee within the meaning of Section 423(b)(4)(D) of the Code, (b) such Employee has not met a service requirement designated by the Administrator pursuant to Section 423(b)(4)(A) of the Code (which service requirement may not exceed two years), (c) such Employee's customary employment is for 20 hours or less per week, (d) such Employee's customary employment is for less than five months in any calendar year and/or (e) such Employee is a citizen or resident of a foreign jurisdiction and the grant of a right to purchase Common Stock under the Plan to such Employee would be prohibited under the laws of such foreign jurisdiction or the grant of a right to purchase Common Stock under the Plan to such Employee in compliance with the laws of such foreign jurisdiction would cause the Plan to violate the requirements of Section 423 of the Code, as determined by the Administrator in its sole discretion; provided, further, that any exclusion in clauses (a), (b), (c), (d) or (e) shall be applied in an identical manner under each Offering Period to all Employees, in accordance with Treasury Regulation Section 1.423-2(e).

2.12 "***Employee***" shall mean any officer or other employee (as defined in accordance with Section 3401(c) of the Code) of the Company or any Designated Subsidiary. "Employee" shall not include any director of the Company or a Designated Subsidiary who does not render services to the Company or a Designated Subsidiary as an employee within the meaning of Section 3401(c) of the Code. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on sick leave or other leave of absence approved by the Company or Designated Subsidiary and meeting the requirements of Treasury Regulation Section 1.421-1(h)(2). Where the period of leave exceeds three months and the individual's right to reemployment is not guaranteed either by statute or by contract, the employment relationship shall be deemed to have terminated on the first day immediately following such three-month period.

2.13 "***Enrollment Date***" shall mean the first Trading Day of each Offering Period, unless otherwise specified in the Offering Document.

2.14 "***Exchange Act***" shall mean the Securities Exchange Act of 1934, as amended from time to time.

2.15 "***Fair Market Value***" shall mean, as of any date, the value of a Share of Common Stock determined as follows: (a) if the Common Stock is listed on any established stock exchange, its Fair Market Value will be the closing sales price for such Common Stock as quoted on such exchange for such date, or if no sale occurred on such date, the last day preceding such date during which a sale occurred, as reported in *The Wall Street Journal* or another source the Administrator deems reliable; (b) if the Common Stock is not traded on a stock exchange but is quoted on a national market or other quotation system, the closing sales price on such date, or if no sales occurred on such date, then on the last date preceding such date during which a sale occurred, as reported in *The Wall Street Journal* or another source the Administrator deems reliable; or (c) without an established market for the Common Stock, the Administrator will determine the Fair Market Value in its discretion.

2.16 "***Offering Document***" shall have the meaning given to such term in Section 4.1.

2.17 "***Offering Period***" shall have the meaning given to such term in Section 4.1.

2.18 "***Parent***" shall mean any corporation, other than the Company, in an unbroken chain of corporations ending with the Company if, at the time of the determination, each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

2.19 "***Participant***" shall mean any Eligible Employee who has executed a subscription agreement and been granted rights to purchase Common Stock pursuant to the Plan.

2.20 "***Plan***" shall mean this PACS Group, Inc. 2024 Employee Stock Purchase Plan, as it may be amended from time to time.

2.21 "***Preferred Stock***" shall mean the preferred stock of the Company, par value of $0.001 per share.

2.22 "***Public Trading Date***" means the first date upon which the Common Stock is listed (or approved for listing) upon notice of issuance on any securities exchange or designated (or approved for designation) upon notice of issuance as a national market security on an interdealer quotation system.

2.23 "***Purchase Date***" shall mean the last Trading Day of each Purchase Period.

2.24 "***Purchase Period***" shall refer to one or more periods within an Offering Period, as designated in the applicable Offering Document; provided, however, that, in the event no Purchase Period is designated by the Administrator in the applicable Offering Document, the Purchase Period for each Offering Period covered by such Offering Document shall be the same as the applicable Offering Period.

2.25 "***Purchase Price***" shall mean the purchase price designated by the Administrator in the applicable Offering Document (which purchase price shall not be less than 85% of the Fair Market Value of a Share on the Enrollment Date or on the Purchase Date, whichever is lower); provided, however, that, in the event no purchase price is designated by the Administrator in the applicable Offering Document, the purchase price for the Offering Periods covered by such Offering Document shall be 85% of the Fair Market Value of a Share on the Enrollment Date or on the Purchase Date, whichever is lower; provided, further, that the Purchase Price may be adjusted by the Administrator pursuant to Article VIII and shall not be less than the par value of a Share.

2.26 "***Securities Act***" shall mean the Securities Act of 1933, as amended.

2.27 "***Share***" shall mean a share of Common Stock.

2.28 "***Subsidiary***" shall mean any corporation, other than the Company, in an unbroken chain of corporations beginning with the Company if, at the time of the determination, each of the corporations other than the last corporation in an unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain; provided, however, that a limited liability company or partnership may be treated as a Subsidiary to the extent either (a) such entity is treated as a disregarded entity under Treasury Regulation Section 301.7701-3(a) by reason of the Company or any other Subsidiary that is a corporation being the sole owner of such entity, or (b) such entity elects to be classified as a corporation under Treasury Regulation Section 301.7701-3(a) and such entity would otherwise qualify as a Subsidiary.

2.29 "***Trading Day***" shall mean a day on which national stock exchanges in the United States are open for trading.

ARTICLE III.
SHARES SUBJECT TO THE PLAN

3.1 Number of Shares. Subject to Article VIII, the aggregate number of Shares that may be issued pursuant to rights granted under the Plan shall be [_____][1] Shares. In addition to the foregoing, subject to Article VIII, on the first day of each calendar year beginning on and including January 1, 2025 and ending on and including January 1, 2034, the number of Shares available for issuance under the Plan shall be increased by that number of Shares equal to (a) a number of Shares equal to 1% of the aggregate number of Shares outstanding on the final day of the immediately preceding calendar year, or (b) such smaller number of Shares as is determined by the Board. If any right granted under the Plan shall for any reason terminate without having been exercised, the Shares not purchased under such right shall again become available for issuance under the Plan. Notwithstanding anything in this Section 3.1 to the contrary, the number of Shares that may be issued or transferred pursuant to the rights granted under the Plan shall not exceed an aggregate of 20,000,000 Shares, subject to Article VIII.

3.2 Stock Distributed. Any Common Stock distributed pursuant to the Plan may consist, in whole or in part, of authorized and unissued Common Stock, treasury stock or Common Stock purchased on the open market.

ARTICLE IV.
OFFERING PERIODS; OFFERING DOCUMENTS; PURCHASE DATES

4.1 Offering Periods. The Administrator may from time to time grant or provide for the grant of rights to purchase Shares under the Plan to Eligible Employees during one or more periods (each, an "***Offering Period***") selected by the Administrator. The terms and conditions applicable to each Offering Period shall be set forth in an "***Offering Document***" adopted by the Administrator, which Offering Document shall be in such form and shall contain such terms and conditions as the Administrator shall deem appropriate. The Administrator shall establish in each Offering Document one or more Purchase Periods during such Offering Period during which rights granted under the Plan shall be exercised and purchases of Shares carried out during such Offering Period in accordance with such Offering Document and the Plan. The provisions of separate Offering Periods under the Plan need not be identical.

[1] NTD: To reflect the number of Shares that is equal to 1% of outstanding shares at the closing of the IPO.(disregarding shares outstanding as of immediately following the closing of the IPO that were issued in connection with IPO awards).

4.2 Offering Documents. Each Offering Document with respect to an Offering Period shall specify (through incorporation of the provisions of this Plan by reference or otherwise):

(a) the length of the Offering Period, which period shall not exceed 27 months;

(b) the length of the Purchase Period(s) within the Offering Period;

(c) in connection with each Offering Period that contains only one Purchase Period the maximum number of Shares that may be purchased by any Eligible Employee during such Offering Period, which, in the absence of a contrary designation by the Administrator, shall be 5,000 Shares;

(d) in connection with each Offering Period that contains more than one Purchase Period, the maximum aggregate number of Shares which may be purchased by any Eligible Employee during each Purchase Period, which, in the absence of a contrary designation by the Administrator, shall be 5,000 Shares; and

(e) such other provisions as the Administrator determines are appropriate, subject to the Plan.

ARTICLE V.
ELIGIBILITY AND PARTICIPATION

5.1 Eligibility. Any Eligible Employee who shall be employed by the Company or a Designated Subsidiary on a given Enrollment Date for an Offering Period shall be eligible to participate in the Plan during such Offering Period, subject to the requirements of this Article V and the limitations imposed by Section 423(b) of the Code.

5.2 Enrollment in Plan.

(a) Except as otherwise set forth herein or in an Offering Document or determined by the Administrator, an Eligible Employee may become a Participant in the Plan for an Offering Period by delivering a subscription agreement to the Company by such time prior to the Enrollment Date for such Offering Period (or such other date specified in the Offering Document) designated by the Administrator and in such form as the Company provides.

(b) Each subscription agreement shall designate a whole percentage of such Eligible Employee's Compensation to be withheld by the Company or the Designated Subsidiary employing such Eligible Employee on each payday during the Offering Period as payroll deductions under the Plan. The designated percentage may not be less than 1% and may not be more than the maximum percentage specified by the Administrator in the applicable Offering Document (which percentage shall be 15% in the absence of any such designation). The payroll deductions made for each Participant shall be credited to an account for such Participant under the Plan and shall be deposited with the general funds of the Company.

(c) A Participant may decrease the percentage of Compensation designated in his or her subscription agreement, subject to the limits of this Section 5.2, or may suspend his or her payroll deductions, at any time during an Offering Period; provided, however, that the Administrator may limit the number of changes a Participant may make to his or her payroll deduction elections during each Offering Period in the applicable Offering Document (and in the absence of any specific designation by the Administrator, a Participant shall be allowed two decreases and one suspension (but no increases) to his or her payroll deduction elections during each Offering Period with respect to such Offering Period).

Any such change or suspension of payroll deductions shall be effective with the first full payroll period following five business days after the Company's receipt of the new subscription agreement (or such shorter or longer period as may be specified by the Administrator in the applicable Offering Document). In the event a Participant suspends his or her payroll deductions, such Participant's cumulative payroll deductions prior to the suspension shall remain in his or her account and shall be applied to the purchase of Shares on the next occurring Purchase Date and shall not be paid to such Participant unless he or she withdraws from participation in the Plan pursuant to Article VII.

(d) Except as otherwise set forth in Section 5.8 or in an Offering Document or determined by the Administrator, a Participant may participate in the Plan only by means of payroll deduction and may not make contributions by lump sum payment for any Offering Period.

5.3 Payroll Deductions. Except as otherwise provided in the applicable Offering Document or Section 5.8, payroll deductions for a Participant shall commence on the first payroll following the Enrollment Date and shall end on the last payroll in the Offering Period to which the Participant's authorization is applicable, unless sooner terminated by the Participant as provided in Article VII or suspended by the Participant or the Administrator as provided in Section 5.2 and Section 5.6, respectively.

5.4 Effect of Enrollment. A Participant's completion of a subscription agreement will enroll such Participant in the Plan for each subsequent Offering Period on the terms contained therein until the Participant either submits a new subscription agreement, withdraws from participation under the Plan as provided in Article VII or otherwise becomes ineligible to participate in the Plan.

5.5 Limitation on Purchase of Common Stock. An Eligible Employee may be granted rights under the Plan only if such rights, together with any other rights granted to such Eligible Employee under "employee stock purchase plans" of the Company, any Parent or any Subsidiary, as specified by Section 423(b)(8) of the Code, do not permit such employee's rights to purchase stock of the Company or any Parent or Subsidiary to accrue at a rate that exceeds $25,000 of the fair market value of such stock (determined as of the first day of the Offering Period during which such rights are granted) for each calendar year in which such rights are outstanding at any time. This limitation shall be applied in accordance with Section 423(b)(8) of the Code.

5.6 Suspension of Payroll Deductions. Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 5.5 or the other limitations set forth in this Plan, a Participant's payroll deductions may be suspended by the Administrator at any time during an Offering Period. The balance of the amount credited to the account of each Participant that has not been applied to the purchase of Shares by reason of Section 423(b)(8) of the Code, Section 5.5 or the other limitations set forth in this Plan shall be paid to such Participant in one lump sum in cash as soon as reasonably practicable after the Purchase Date.

5.7 Foreign Employees. In order to facilitate participation in the Plan, the Administrator may provide for such special terms applicable to Participants who are citizens or residents of a foreign jurisdiction, or who are employed by a Designated Subsidiary outside of the United States, as the Administrator may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Such special terms may not be more favorable than the terms of rights granted under the Plan to Eligible Employees who are residents of the United States. Moreover, the Administrator may approve such supplements to, or amendments, restatements or alternative versions of, this Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of this Plan as in effect for any other purpose. No such special terms, supplements, amendments or restatements shall include any provisions that are inconsistent with the terms of this Plan as then in effect unless this Plan could have been amended to eliminate such inconsistency without further approval by the stockholders of the Company.

5.8 Leave of Absence. During leaves of absence approved by the Company meeting the requirements of Treasury Regulation Section 1.421-1(h)(2) under the Code, a Participant may continue participation in the Plan by making cash payments to the Company on his or her normal payday equal to his or her authorized payroll deduction.

ARTICLE VI.
GRANT AND EXERCISE OF RIGHTS

6.1 Grant of Rights. On the Enrollment Date of each Offering Period, each Eligible Employee participating in such Offering Period shall be granted a right to purchase the maximum number of Shares specified under Section 4.2, subject to the limits in Section 5.5, and shall have the right to buy, on each Purchase Date during such Offering Period (at the applicable Purchase Price), such number of whole Shares as is determined by dividing (a) such Participant's payroll deductions accumulated prior to such Purchase Date and retained in the Participant's account as of the Purchase Date, by (b) the applicable Purchase Price (rounded down to the nearest Share). The right shall expire on the earlier of: (x) the last Purchase Date of such Offering Period, (y) last day of such Offering Period and (z) the date on which such Participant withdraws in accordance with Section 7.1 or Section 7.3.

6.2 Exercise of Rights. On each Purchase Date, each Participant's accumulated payroll deductions and any other additional payments specifically provided for in the applicable Offering Document will be applied to the purchase of whole Shares, up to the maximum number of Shares permitted pursuant to the terms of the Plan and the applicable Offering Document, at the Purchase Price. No fractional Shares shall be issued upon the exercise of rights granted under the Plan, unless the Offering Document specifically provides otherwise. Any cash in lieu of fractional Shares remaining after the purchase of whole Shares upon exercise of a purchase right will be carried forward and applied toward the purchase of whole Shares for the following Offering Period. Shares issued pursuant to the Plan may be evidenced in such manner as the Administrator may determine and may be issued in certificated form or issued pursuant to book-entry procedures.

6.3 Pro Rata Allocation of Shares. If the Administrator determines that, on a given Purchase Date, the number of Shares with respect to which rights are to be exercised may exceed (a) the number of Shares that were available for issuance under the Plan on the Enrollment Date of the applicable Offering Period, or (b) the number of Shares available for issuance under the Plan on such Purchase Date, the Administrator may in its sole discretion provide that the Company shall make a pro rata allocation of the Shares available for purchase on such Enrollment Date or Purchase Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all Participants for whom rights to purchase Shares are to be exercised pursuant to this Article VI on such Purchase Date, and shall either (i) continue all Offering Periods then in effect, or (ii) terminate any or all Offering Periods then in effect pursuant to Article IX. The Company may make pro rata allocation of the Shares available on the Enrollment Date of any applicable Offering Period pursuant to the preceding sentence, notwithstanding any authorization of additional Shares for issuance under the Plan by the Company's stockholders subsequent to such Enrollment Date. The balance of the amount credited to the account of each Participant that has not been applied to the purchase of Shares shall be paid to such

Participant, without interest, in one lump sum in cash as soon as reasonably practicable after the Purchase Date.

6.4 Withholding. At the time a Participant's rights under the Plan are exercised, in whole or in part, or at the time some or all of the Shares issued under the Plan is disposed of, the Participant must make adequate provision for the Company's federal, state, or other tax withholding obligations, if any, that arise upon the exercise of the right or the disposition of the Shares. At any time, the Company may, but shall not be obligated to, withhold from the Participant's compensation the amount necessary for the Company to meet applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Shares by the Participant.

6.5 Conditions to Issuance of Common Stock. The Company shall not be required to issue or deliver any certificate or certificates for, or make any book entries evidencing, Shares purchased upon the exercise of rights under the Plan prior to fulfillment of all of the following conditions:

(a) The admission of such Shares to listing on all stock exchanges, if any, on which the Common Stock is then listed;

(b) The completion of any registration or other qualification of such Shares under any state or federal law or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body, that the Administrator shall, in its absolute discretion, deem necessary or advisable;

(c) The obtaining of any approval or other clearance from any state or federal governmental agency that the Administrator shall, in its absolute discretion, determine to be necessary or advisable;

(d) The payment to the Company of all amounts that it is required to withhold under federal, state or local law upon exercise of the rights, if any; and

(e) The lapse of such reasonable period of time following the exercise of the rights as the Administrator may from time to time establish for reasons of administrative convenience.

ARTICLE VII.
WITHDRAWAL; CESSATION OF ELIGIBILITY

7.1 Withdrawal. A Participant may withdraw all but not less than all of the payroll deductions credited to his or her account and not yet used to exercise his or her rights under the Plan at any time by giving written notice to the Company in a form acceptable to the Company no later than one week prior to the end of the Offering Period or, if earlier, the end of the Purchase Period (or such shorter or longer period as may be specified by the Administrator in the Offering Document). All of the Participant's payroll deductions credited to his or her account during the Offering Period not yet used to exercise his or her rights under the Plan shall be paid to such Participant as soon as reasonably practicable after receipt of notice of withdrawal and such Participant's rights for the Offering Period shall be automatically terminated, and no further payroll deductions for the purchase of Shares shall be made for such Offering Period. If a Participant withdraws from an Offering Period, payroll deductions shall not resume at the beginning of the next Offering Period unless the Participant is an Eligible Employee and timely delivers to the Company a new subscription agreement.

7.2 Future Participation. A Participant's withdrawal from an Offering Period shall not have any effect upon his or her eligibility to participate in any similar plan that may hereafter be adopted by the Company or a Designated Subsidiary or in subsequent Offering Periods that commence after the termination of the Offering Period from which the Participant withdraws.

7.3 Cessation of Eligibility. Upon a Participant's ceasing to be an Eligible Employee for any reason, he or she shall be deemed to have elected to withdraw from the Plan pursuant to this Article VII and the payroll deductions credited to such Participant's account during the Offering Period shall be paid to such Participant or, in the case of his or her death, to the person or persons entitled thereto under Section 12.4, as soon as reasonably practicable, and such Participant's rights for the Offering Period shall be automatically terminated.

ARTICLE VIII.
ADJUSTMENTS UPON CHANGES IN STOCK

8.1 Changes in Capitalization. Subject to Section 8.3, in the event that the Administrator determines that any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), Change in Control, reorganization, merger, amalgamation, consolidation, combination, repurchase, recapitalization, liquidation, dissolution, or sale, transfer, exchange or other disposition of all or substantially all of the assets of the Company, or sale or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other similar corporate transaction or event, as determined by the Administrator, affects the Common Stock such that an adjustment is determined by the Administrator to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended by the Company to be made available under the Plan or with respect to any outstanding purchase rights under the Plan, the Administrator shall make equitable adjustments, if any, to reflect such change with respect to (a) the aggregate number and type of Shares (or other securities or property) that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1 and the limitations established in each Offering Document pursuant to Section 4.2 on the maximum number of Shares that may be purchased); (b) the class(es) and number of Shares and price per Share subject to outstanding rights; and (c) the Purchase Price with respect to any outstanding rights.

8.2 Other Adjustments. Subject to Section 8.3, in the event of any transaction or event described in Section 8.1 or any unusual or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate (including without limitation any Change in Control), or of changes in Applicable Law or accounting principles, the Administrator, in its discretion, and on such terms and conditions as it deems appropriate, is hereby authorized to take any one or more of the following actions whenever the Administrator determines that such action is appropriate in order to prevent the dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any right under the Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles:

(a) To provide for either (i) termination of any outstanding right in exchange for an amount of cash, if any, equal to the amount that would have been obtained upon the exercise of such right had such right been currently exercisable or (ii) the replacement of such outstanding right with other rights or property selected by the Administrator in its sole discretion;

(b) To provide that the outstanding rights under the Plan shall be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar rights covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

(c) To make adjustments in the number and type of Shares (or other securities or property) subject to outstanding rights under the Plan and/or in the terms and conditions of outstanding rights and rights that may be granted in the future;

(d) To provide that Participants' accumulated payroll deductions may be used to purchase Common Stock prior to the next occurring Purchase Date on such date as the Administrator determines in its sole discretion and the Participants' rights under the ongoing Offering Period(s) shall be terminated; and

(e) To provide that all outstanding rights shall terminate without being exercised.

8.3 No Adjustment Under Certain Circumstances. No adjustment or action described in this Article VIII or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause the Plan to fail to satisfy the requirements of Section 423 of the Code.

8.4 No Other Rights. Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend, any increase or decrease in the number of shares of stock of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Administrator under the Plan, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of Shares subject to outstanding rights under the Plan or the Purchase Price with respect to any outstanding rights.

ARTICLE IX.
AMENDMENT, MODIFICATION AND TERMINATION

9.1 Amendment, Modification and Termination. The Administrator may amend, suspend or terminate the Plan at any time and from time to time; provided, however, that approval of the Company's stockholders shall be required to amend the Plan to: (a) increase the aggregate number, or change the type, of shares that may be sold pursuant to rights under the Plan under Section 3.1 (other than an adjustment as provided by Article VIII); (b) change the Plan in any manner that would be considered the adoption of a new plan within the meaning of Treasury regulation Section 1.423-2(c)(4); or (c) change the Plan in any manner that would cause the Plan to no longer be an "employee stock purchase plan" within the meaning of Section 423(b) of the Code.

9.2 Certain Changes to Plan. Without stockholder consent and without regard to whether any Participant rights may be considered to have been adversely affected, to the extent permitted by Section 423 of the Code, the Administrator shall be entitled to change or terminate the Offering Periods, limit the frequency and/or number of changes in the amount withheld from Compensation during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a Participant in order to adjust for delays or mistakes in the Company's processing of payroll withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each Participant properly correspond with amounts withheld from the Participant's Compensation, and establish such other limitations or procedures as the Administrator determines in its sole discretion to be advisable that are consistent with the Plan.

9.3 Actions In the Event of Unfavorable Financial Accounting Consequences. In the event the Administrator determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Administrator may, in its discretion and, to the extent necessary or desirable, modify or amend the Plan to reduce or eliminate such accounting consequence including, but not limited to:

(a) altering the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price;

(b) shortening any Offering Period so that the Offering Period ends on a new Purchase Date, including an Offering Period underway at the time of the Administrator action; and

(c) allocating Shares.

Such modifications or amendments shall not require stockholder approval or the consent of any Participant.

9.4 Payments Upon Termination of Plan. Upon termination of the Plan, the balance in each Participant's Plan account shall be refunded as soon as practicable after such termination, without any interest thereon.

ARTICLE X.
TERM OF PLAN

The Plan shall be effective on the Effective Date. The effectiveness of the Plan shall be subject to approval of the Plan by the stockholders of the Company within 12 months following the date the Plan is first approved by the Board. No right may be granted under the Plan prior to such stockholder approval. No rights may be granted under the Plan during any period of suspension of the Plan or after termination of the Plan.

ARTICLE XI.
ADMINISTRATION

11.1 Administrator. Unless otherwise determined by the Board, the Administrator of the Plan shall be the Compensation Committee of the Board (or another committee or a subcommittee of the Board to which the Board delegates administration of the Plan) (such committee, the "***Committee***"). The Board may at any time vest in the Board any authority or duties for administration of the Plan.

11.2 Action by the Administrator. Unless otherwise established by the Board or in any charter of the Administrator, a majority of the Administrator shall constitute a quorum. The acts of a majority of the members present at any meeting at which a quorum is present and, subject to Applicable Law and the Bylaws of the Company, acts approved in writing by a majority of the Administrator in lieu of a meeting, shall be deemed the acts of the Administrator. Each member of the Administrator is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Designated Subsidiary, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

11.3 Authority of Administrator. The Administrator shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(a) To determine when and how rights to purchase Shares shall be granted and the provisions of each offering of such rights (which need not be identical).

(b) To designate from time to time which Subsidiaries of the Company shall be Designated Subsidiaries, which designation may be made without the approval of the stockholders of the Company.

(c) To construe and interpret the Plan and rights granted under it, and to establish, amend and revoke rules and regulations for its administration. The Administrator, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(d) To amend, suspend or terminate the Plan as provided in Article IX.

(e) Generally, to exercise such powers and to perform such acts as the Administrator deems necessary or expedient to promote the best interests of the Company and its Subsidiaries and to carry out the intent that the Plan be treated as an "employee stock purchase plan" within the meaning of Section 423 of the Code.

11.4 Decisions Binding. The Administrator's interpretation of the Plan, any rights granted pursuant to the Plan, any subscription agreement and all decisions and determinations by the Administrator with respect to the Plan are final, binding, and conclusive on all parties.

ARTICLE XII.
MISCELLANEOUS

12.1 Restriction upon Assignment. A right granted under the Plan shall not be transferable other than by will or the Applicable Laws of descent and distribution, and is exercisable during the Participant's lifetime only by the Participant. Except as provided in Section 12.4 hereof, a right under the Plan may not be exercised to any extent except by the Participant. The Company shall not recognize and shall be under no duty to recognize any assignment or alienation of the Participant's interest in the Plan, the Participant's rights under the Plan or any rights thereunder.

12.2 Rights as a Stockholder. With respect to Shares subject to a right granted under the Plan, a Participant shall not be deemed to be a stockholder of the Company, and the Participant shall not have any of the rights or privileges of a stockholder, until such Shares have been issued to the Participant or his or her nominee following exercise of the Participant's rights under the Plan. No adjustments shall be made for dividends (ordinary or extraordinary, whether in cash securities, or other property) or distribution or other rights for which the record date occurs prior to the date of such issuance, except as otherwise expressly provided herein or as determined by the Administrator.

12.3 Interest. No interest shall accrue on the payroll deductions or contributions of a Participant under the Plan.

12.4 Designation of Beneficiary.

(a) A Participant may, in the manner determined by the Administrator, file a written designation of a beneficiary who is to receive any Shares and/or cash, if any, from the Participant's account under the Plan in the event of such Participant's death subsequent to a Purchase Date on which the Participant's rights are exercised but prior to delivery to such Participant of such Shares and cash. In addition, a Participant may file a written designation of a beneficiary who is to receive any cash from the Participant's account under the Plan in the event of such Participant's death prior to exercise of the Participant's rights under the Plan. If the Participant is married and resides in a community property state, a designation of a person other than the Participant's spouse as his or her beneficiary shall not be effective without the prior written consent of the Participant's spouse.

(b) Such designation of beneficiary may be changed by the Participant at any time by written notice to the Company. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company shall deliver such Shares and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such Shares and/or cash to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

12.5 Notices. All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

12.6 Equal Rights and Privileges. Subject to Section 5.7, all Eligible Employees will have equal rights and privileges under this Plan so that this Plan qualifies as an "employee stock purchase plan" within the meaning of Section 423 of the Code. Subject to Section 5.7, any provision of this Plan that is inconsistent with Section 423 of the Code will, without further act or amendment by the Company, the Board or the Administrator, be reformed to comply with the equal rights and privileges requirement of Section 423 of the Code.

12.7 Use of Funds. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

12.8 Reports. Statements of account shall be given to Participants at least annually, which statements shall set forth the amounts of payroll deductions, the Purchase Price, the number of Shares purchased and the remaining cash balance, if any.

12.9 No Employment Rights. Nothing in the Plan shall be construed to give any person (including any Eligible Employee or Participant) the right to employment or service with (or to remain in the employ of) the Company or any Parent or Subsidiary thereof or affect the right of the Company or any Parent or Subsidiary thereof to terminate the employment of any person (including any Eligible Employee or Participant) at any time, with or without cause.

12.10 Notice of Disposition of Shares. Each Participant shall give prompt notice to the Company of any disposition or other transfer of any Shares purchased upon exercise of a right under the Plan if such disposition or transfer is made: (a) within two years from the Enrollment Date of the Offering Period in which the Shares were purchased or (b) within one year after the Purchase Date on which such Shares were purchased. Such notice shall specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by the Participant in such disposition or other transfer.

12.11 Governing Law. The Plan and any agreements hereunder shall be administered, interpreted and enforced under the internal laws of the State of Delaware without regard to conflicts of laws thereof or of any other jurisdiction.

12.12 Electronic Forms. To the extent permitted by Applicable Law and in the discretion of the Administrator, an Eligible Employee may submit any form or notice as set forth herein by means of an electronic form approved by the Administrator. Before the commencement of an Offering Period, the Administrator shall prescribe the time limits within which any such electronic form shall be submitted to the Administrator with respect to such Offering Period in order to be a valid election.

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PROVIDENCE ADMINISTRATIVE CONSULTING SERVICES, INC.
NONQUALIFIED DEFERRED COMPENSATION PLAN

RECITALS

This Nonqualified Deferred Compensation Plan (the "Plan") is adopted by Providence Administrative Consulting Services, Inc. (the "Company"), a California corporation, for the benefit of certain Eligible Employees of the Company. The purpose of the Plan is to offer a selected group an opportunity to elect to defer a portion of their Bonus Compensation that would otherwise be payable to them, and to provide a deferred compensation vehicle to which the Company may credit Discretionary Contributions and Matching Contributions pursuant to the terms of the Plan.

The Plan is an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly-compensated Employees and independent contractors, and as such, is intended to be exempt from the provisions of Parts 2, 3, and 4 of Title I of the Employee Retirement Income Security Act of 1974 by operation of sections 201(2), 301(a)(3) and 401(a)(1) thereof.

The Plan is intended to comply in form and operation with all applicable law, including, to the extent applicable, the requirements of Internal Revenue Code Section 409A and will be administered, operated and construed in accordance with this intention.

Accordingly, the Plan is adopted, effective as of February 1, 2020.

ARTICLE 1
Definitions

This Article provides definitions of terms used throughout this Plan, and whenever used herein in a capitalized form, except as otherwise expressly provided, the terms shall be deemed to have the following meanings:

1.1 "**Account**" shall mean all bookkeeping accounts pertaining to a Participant which are maintained by the Plan Administrator or Plan recordkeeper to reflect the Company's obligation to the Participant under the Plan, including a Deferral Account, a Discretionary Contribution Account, and a Matching Contribution Account. To the extent that it is considered necessary or appropriate to reflect the entire interest of the Participant under the Plan, the Plan Administrator or Plan recordkeeper shall maintain additional subaccounts. The Account and any subaccounts shall be used solely as a device to measure and determine the amounts, if any, to be paid to the Participant or his Beneficiary under the Plan.

1.2 "**Affiliate**" shall mean any corporation, partnership, joint venture, association, or similar organization or entity, other than the Company, that is a member of a controlled group of corporations in which the Company is a member, as defined in Section 414(b) of the Code and all other trade or business (whether or not incorporated) under common control of or with the Company, as defined in Section 414(c) of the Code.

1.3 “**Beneficiary**” or “**Beneficiaries**” shall mean one or more persons or trusts, designated by a Participant in accordance with the Plan, that are entitled to receive benefits under the Plan upon the death of the Participant.

1.4 “**Beneficiary Designation Form**” shall mean the form established from time to time by the Plan Administrator that a Participant completes, signs, and returns to the Plan Administrator to designate one or more Beneficiaries.

1.5 “**Bonus Compensation**” shall mean amounts paid to a Participant by the Company in the form of discretionary or incentive compensation or any other bonus designated by the Company before reductions for contributions to or deferrals under any pension, deferred compensation, or benefit plans sponsored by the Company.

1.6 “**Cause**” shall mean conduct by a Participant determined by the Company to be: (a) gross negligence or willful malfeasance in the performance of his or her duties; (b) actions or omissions that harm the Company and are undertaken or omitted knowingly or are criminal or fraudulent or involve material dishonesty or moral turpitude; (c) being indicted in a court of law for any felony or for a crime involving misuse or misappropriation of Company funds; or (d) breach of fiduciary duty to the Company.

1.7 “**Change in Control**” shall mean and shall include a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company, within the meaning of Internal Revenue Code Section 409A and as described in Treasury Regulation §§1.409A-3(i)(5)(v), (vi) and (vii); however, a Change in Control shall not be deemed to have occurred if the aforementioned changes involve the purchase or acquisition of shares or assets by immediate family members of the shareholders of record as of the Effective Date of this Plan.

1.8 “**Claimant**” shall mean a Participant or a Beneficiary who believes that he or she is entitled to a benefit under this Plan or is being denied a benefit to which he or she is entitled hereunder.

1.9 “**Code**” shall mean the U.S. Internal Revenue Code of 1986, as amended, or any successor statue, and the Treasury Regulations and other authoritative guidance issued thereunder.

1.10 “**Company**” shall mean Providence Administrative Consulting Services, Inc., and its successors and assigns, unless otherwise provided in this Plan, or any other corporation or business organization which, with the consent of Providence Administrative Consulting Services, Inc. or its successors or assigns, assumes the Company’s obligations under this Plan, or any Affiliate which agrees, with the consent of Providence Administrative Consulting Services, Inc. or its successors or assigns, to become a party to the Plan.

1.11 “**Deemed Investment**” shall mean the notional conversion of the balance held in a Participant’s Account into shares or units of the Deemed Investment Options that are used as measuring devices for determining the value of the Participant’s Account.

1.12 "**Deemed Investment Options**" shall mean the hypothetical securities or other investments described under Section 5.1 which the Plan Administrator may select to be used as measuring devices to determine the Deemed Investment gains or losses of a Participant's Account. The Participant shall have no real or beneficial ownership in the security or investment represented by the Deemed Investment Options.

1.13 "**Deferral Account**" shall mean: (a) the sum of a Participant's Deferral Amounts (if any), plus (b) Deemed Investment gains or losses thereon, less (c) all distributions made to the Participant or his or her Beneficiary, and tax withholding amounts (if any) deducted from the Participant's Deferral Account.

1.14 "**Deferral Amount**" shall mean that portion of a Participant's Bonus Compensation that the Participant elects to defer for a Performance Period.

1.15 "**Deferral Election**" shall mean an election by an Eligible Employee on an Election Form approved by the Plan Administrator to defer a portion of his or her Bonus Compensation in accordance with the provisions of Article 3.

1.16 "**Disabled**" or "**Disability**" shall be defined as a condition of a Participant whereby he or she has been deemed disabled by the Social Security Administration or has been determined to be disabled in accordance with a disability insurance program of the Company, provided that the program covers the Participant and the definition of disability applied under such program complies with Code Section 409A. Upon the request of the Plan Administrator, the Participant must submit proof to the Plan Administrator of the Social Security Administration's or disability insurance provider's determination.

1.17 "**Discretionary Contribution**" shall mean the deferred compensation amount credited on behalf of a Participant to the Discretionary Contribution Account, as described in Article 4.

1.18 "**Discretionary Contribution Account**" shall mean: (a) the sum of the Discretionary Contribution amounts (if any), plus (b) Deemed Investment gains or losses thereon, less (c) all distributions made to the Participant or his or her Beneficiary, and tax withholding amounts (if any) deducted from the Discretionary Contribution Account.

1.19 "**Effective Date**" shall mean February 1, 2020.

1.20 "**Election Form**" shall mean the form or forms established from time to time by the Plan Administrator (in a paper or electronic format) on which a Participant makes certain designations as required under the terms of this Plan.

1.21 "**Eligibility Date**" shall mean the date designated by the Plan Administrator on which an Eligible Employee shall become eligible to participate in the Plan.

1.22 "**Eligible Employee**" shall mean an Employee who is selected by the Company to participate in the Plan. Participation in the Plan is limited to a select group of the Company's key management or highly compensated employees.

1.23 "**Employee**" means an individual who provides services to the Company in the capacity of a common law Employee of the Company.

1.24 "**ERISA**" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.25 "**Matching Contribution**" shall mean the deferred compensation amount(s), if any, credited on behalf of a Participant by the Company, in its discretion, to the Participant's Matching Contribution Account.

1.26 "**Matching Contribution Account**" shall mean: (a) the sum of a Participant's Matching Contributions credited by the Company to a Participant's Matching Contribution Account, plus (b) Deemed Investment gains or losses credited or debited thereon, less (c) all distributions made to the Participant or his or her Beneficiary, and tax withholding amounts deducted (if any) from said Account.

1.27 "**Participant**" shall mean each Eligible Employee who has met the requirements of participation under Article 2 and who participates in the Plan in accordance with the terms and conditions of the Plan.

1.28 "**Participation Agreement**" shall mean the agreement executed by the Eligible Employee whereby he or she agrees to participate in the Plan.

1.29 "**Performance Period**" shall mean, with respect to any Bonus Compensation, the period of time over which such Bonus Compensation is earned.

1.30 "**Plan**" shall mean this Providence Administrative Consulting Services, Inc. Nonqualified Deferred Compensation Plan agreement, Participation Agreements, Beneficiary Designation Forms and Election Forms, as amended from time to time. For purposes of Section 409A, the portion of the amounts deferred by a Participant and Deemed Investment gains or losses thereon, shall be considered an elective account balance plan as defined in Treasury Regulation §1.409A-1(c)(2)(i)(A), or as otherwise provided by the Code; the portion of the amounts deferred as Discretionary Contributions and Deemed Investment gains or losses thereon, shall be considered a nonelective account balance plan as defined in Treasury Regulation §1.409A-1(c)(2)(i)(B), or as otherwise provided in the Code.

1.31 "**Plan Administrator**" shall mean the Company's board of directors, or any committee of the board of directors duly authorized to act as Plan Administrator of the Plan, or any individual or entity duly authorized by the Plan Administrator to act on its behalf with respect to the Plan. No person who is a Plan Administrator shall participate in an action on a matter which applies solely to that person. If a Participant is part of a group of persons designated as a committee or Plan Administrator, then the Participant may not participate in any activity or decision relating solely to his or her individual benefits under this Plan.

1.32 "**Plan Year**" shall mean, for the first Plan Year, the period beginning on the Effective Date of the Plan and ending December 31 of the same calendar year; and thereafter shall mean a twelve (12) month period beginning January 1 of each calendar year and continuing through December 31 of such calendar year during whic0h the Plan is in effect.

1.33 "**Section 409A**" shall mean Code Section 409A and the Treasury Regulations or other authoritative guidance issued thereunder.

1.34 "**Separation from Service**" or "**Separates from Service**" shall mean an anticipated permanent reduction in the level of bona fide services to be performed by the Participant to twenty percent (20%) or less of the average level of bona fide services performed by the Participant over the immediately preceding 36-month period (or the full period during which the Participant performed services for the Company, if that is less than 36 months). Whether a Participant has had a Separation from Service shall be determined pursuant to Section 409A.

1.35 "**Treasury Regulation**" or "**Treasury Regulations**" shall mean the regulations promulgated by the Internal Revenue Service for the U.S. Department of the Treasury, as they may be amended from time to time.

1.36 "**Unforeseeable Emergency**" shall mean: (a) a severe financial hardship to a Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's Beneficiary, or the Participant's dependents (as defined in Code Section 152 (without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B))); (b) loss of the Participant's property due to casualty; or (c) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The Plan Administrator will determine whether a Participant incurs an Unforeseeable Emergency based on the relevant facts and circumstances and in accordance with Treasury Regulations §1.409A-3(i)(3).

1.37 "**Valuation Date**" shall mean the date through which Deemed Investment gains and/or losses are credited or debited to a Participant's Account(s). The Valuation Date shall be as close to the payout or other event triggering valuation as is administratively feasible. The Valuation Date shall be interpreted as each day at the close of business of the New York Stock Exchange (currently 4:00 p.m. Eastern Time), on days that the New York Stock Exchange (NYSE) is open for trading or any other day on which there is sufficient trading in securities of the applicable fund to materially affect the unit value of the fund and the corresponding unit value of the Participant's Deemed Investment Option(s).

1.38 "**Year of Plan Participation**" shall mean a twelve (12) month period during which a Participant is employed on a full-time basis by the Company, inclusive of any approved leaves of absence, beginning on the Participant's Eligibility Date.

ARTICLE 2
Eligibility and Participation

2.1 **Requirements for Participation**. Every Eligible Employee selected by the Company on the Effective Date shall be eligible to become a Participant on the Effective Date. Before the beginning of each Plan Year, or such other times during the Plan Year deemed necessary in the discretion of the Company, the Company shall select those Employees who shall be Eligible Employees for such Plan Year.

2.2 **Election to Participate**. Each Eligible Employee may become a Participant in the Plan by executing and submitting to the Plan Administrator, a Participation Agreement, Deferral Election, a Beneficiary Designation Form, and any other required Election Forms within the time period specified by the Plan Administrator and Section 409A. If an Eligible Employee fails to meet all requirements contained in this Section within the period required, that Eligible Employee shall not be entitled to participate in the Plan during such Plan Year. In addition, the Plan Administrator may establish, from time to time, such other enrollment requirements as it determines in its sole discretion are necessary or desirable.

2.3 **Re-employment**. The re-employment of a former Participant by the Company shall not entitle such individual to become a Participant hereunder. Such individual shall not become a Participant until the individual is again designated as an Eligible Employee in accordance with Section 2.1. If a Participant who has experienced a Separation from Service is receiving installment distributions and is re-employed by the Company, distributions due to the Participant shall not be suspended.

2.4 **Ceasing to be an Eligible Employee**. The Plan Administrator may remove an Eligible Employee from further active participation in the Plan at its discretion. If this occurs, the Employer shall cease Discretionary and Matching Contributions and the Participant shall be prevented from making Deferral Elections for subsequent Plan Years. Any existing Deferral Election shall continue in effect for the remainder of the Plan Year and may only be cancelled in accordance with Section 3.4(b) hereof.

2.5 **Termination of Participation**. A Participant will cease to be a Participant as of the date on which his or her entire Account balance has been distributed or forfeited.

ARTICLE 3
Participant Elective Deferrals

3.1 **Minimum and Maximum Deferral Limits**. For each Performance Period, a Participant shall specify the percentage or dollar amount of Bonus Compensation to be deferred, subject to the minimums or maximums (if any) established by the Plan Administrator and communicated to the Participant on the Election Form.

3.2 **Deferral Elections – First Year of Eligibility**.

(a) **Application**. This Section applies to each Eligible Employee who first becomes eligible to participate in the Plan and is offered the opportunity to defer compensation by the Plan Administrator. The Plan Administrator shall determine (in accordance with Treasury Regulation §1.409A-2(a)(7)(ii)) the date upon which a Participant who ceased being eligible to participate in the Plan can again become eligible to participate in the Plan.

(b) **Deferral Election**. An Eligible Employee may elect to defer receipt of Bonus Compensation earned during a Performance Period by filing a Deferral Election with the Plan Administrator by, and it shall become irrevocable as of, the thirtieth (30^{th}) day following the Participant's Eligibility Date (or such earlier date as specified by the Plan Administrator). Where a Deferral Election is made in the first year of eligibility but after the commencement of the Performance Period, then, except as otherwise provided in Section 3.3 below, the Deferral Election shall only apply to that portion of Bonus Compensation earned for such Performance Period equal to the total amount of the Bonus Compensation earned during such Performance Period multiplied by a fraction, the numerator of which is the number of days beginning on the day immediately after the date that the Deferral Election becomes irrevocable and ending on the last day of the Performance Period, and the denominator of which is the total number of days in the Performance Period.

3.3 **Annual Deferral Elections**. Unless Section 3.2 applies, each Eligible Employee may elect to defer receipt of Bonus Compensation for a Performance Period by filing a Deferral Election with the Plan Administrator by, and it shall become irrevocable following, December 31^{st} (or such earlier date as specified by the Plan Administrator on the Deferral Election) of the calendar year next preceding the first day of the Performance Period for which such Bonus Compensation would otherwise be earned. If the Company has a fiscal year other than the calendar year, Bonus Compensation relating to services in the fiscal year of the Company, of which no amount is paid or payable during the fiscal year, may be deferred at the Participant's election if the Deferral Election is made not later than the close of the Company's fiscal year next preceding the first fiscal year in which the Participant performs any services for which such Bonus Compensation is payable. Any Deferral Election with respect to Bonus Compensation that constitutes "performance-based compensation" under Treasury Regulation §1.409A-1(e)(1), must be filed with the Plan Administrator by, and shall become irrevocable as of, the date that is six (6) months before the end of the applicable Performance Period (or such earlier date as specified by the Plan Administrator on the Deferral Election), provided that in no event may such Deferral Election be filed after such Bonus Compensation has become "readily ascertainable" within the meaning of Section 409A.

3.4 **Duration and Cancellation of Deferral Elections**.

(a) **Duration**. Once irrevocable, a Deferral Election shall only be effective for the calendar year with respect to which such election was timely filed with the Plan Administrator. Except as provided in Section 3.4(b), a Deferral Election, once irrevocable, cannot be cancelled or altered during a calendar year.

(b) **Cancellation**.

(i) Pursuant to Treasury Regulation §1.409A-3(j)(4)(viii), the Plan Administrator shall cancel a Participant's Deferral Election due to an Unforeseeable Emergency, or due to a hardship distribution pursuant to Treasury Regulation §1.401(k)-1(d)(3).

(ii) If a Participant's Deferral Election is cancelled with respect to a particular Plan Year, he or she may complete a new Deferral Election for a subsequent Plan Year, only in accordance with Section 3.3.

ARTICLE 4
Crediting of Amounts

4.1 **Withholding and Crediting of Deferral Amounts**. For each Plan Year, the Deferral Amount shall be withheld and credited to the Deferral Account as soon as administratively feasible following the time the amounts would otherwise be paid to the Participant.

4.2 **Crediting of Discretionary and Matching Contributions**. Each Plan Year, the Company may make a Discretionary Contribution and/or a Matching Contribution to the Plan on behalf of a Participant in such amount(s) as the Company shall determine in its sole discretion. The Company is under no obligation to make a Discretionary Contribution or a Matching Contribution for a Plan Year, and such contributions, if made, need not be uniform among Participants. Discretionary and Matching Contributions shall be credited to the Discretionary Contribution Account and Matching Contribution Account, respectively, on such date(s) determined by the Company.

ARTICLE 5
Deemed Investment Gains or Losses

5.1 **Deemed Investment Options**. The Plan Administrator will determine the available Deemed Investment Options for purposes of crediting or debiting the Deemed Investment gains or losses to the Account. The Plan Administrator may discontinue, substitute, or add Deemed Investment Options in its sole discretion on a prospective basis. Any discontinuance, substitution, or addition of a Deemed Investment Option will take effect as soon as administratively practicable. The Deemed Investment Options are to be used for measurement purposes only, and the Plan Administrator's selection of any such Deemed Investment Option, the allocation of such Deemed Investment Options to the Account, the calculation of additional amounts, and the crediting or debiting of such amounts to the Account shall not be considered or construed in any manner as an actual investment of the Account. The Plan Administrator will not be responsible in any manner to any Participant, Beneficiary or other person for any damages, losses, liabilities, costs or expenses of any kind arising in connection with any designation or elimination of a Deemed Investment Option. Without limiting the foregoing, the Account shall at all times be a bookkeeping entry only and shall not represent any investment made on his or her behalf by the Plan Administrator, or trust, if any. The Participant (or Beneficiary) shall at all times remain an unsecured creditor of the Company. Any liability or obligation of the Company to any Participant, former Participant, or Beneficiary with respect to a right to payment shall be based solely upon contractual obligations created by this Plan.

5.2 **Participant's Allocation of Deemed Investment Options**. A Participant shall have the right to direct the Plan Administrator as to how the Participant's Deferral Amounts, Discretionary Contributions, and Matching Contributions shall be deemed to be invested among the Deemed Investment Options offered under the Plan, subject to any operating rules and procedures imposed by the Plan Administrator. As of each Valuation Date, the Participant's Account(s) will be credited or debited to reflect the performance of the Deemed Investment Options elected by the Participant. If a Deemed Investment Option selected by the Participant sustains a loss, the Participant's Account(s) shall be reduced to reflect such loss. If a Participant fails to elect a Deemed Investment Option, the Deemed Investment shall be based on an investment alternative selected for this purpose by the Plan Administrator. During payout, the Participant's Account(s) shall continue to be credited with Deemed Investment gains or losses based on the Deemed Investment Options selected by the Participant and made available by the Plan Administrator for such purpose.

5 . 3 **Participant Responsibilities**. Each Participant is solely responsible for any and all consequences of his or her investment directions made pursuant to this Article 5. Neither the Company, any of its directors, officers or employees, nor the Plan Administrator, has any responsibility to any Participant or other person for any damages, losses, liabilities, costs or expenses of any kind arising in connection with any investment direction made by a Participant pursuant to this Article 5.

5.4 **Valuation of Account(s)**. The Participant's Account(s) as of each Valuation Date shall consist of the balance of the Participant's Account(s) as of the immediately preceding Valuation Date, plus the Participant's Deferral Amounts, Discretionary Contributions, and Matching Contributions, if any, that have been credited, plus Deemed Investment gains or losses, minus the amount of any distributions made and any applicable tax withheld since the immediately preceding Valuation Date.

5.5 **Required Investment of Company Assets**. Notwithstanding anything contained herein to the contrary, the Company reserves the right to invest its assets, including any assets that may have been set aside for the purpose of informally funding the benefits to be provided under the Plan, at its own discretion, and such assets shall remain the property of the Company, or may be held in a trust, as the case may be, subject to the claims of the general creditors of the Company, and the Participant shall not have any right to any portion of such assets other than as an unsecured general creditor of the Company.

ARTICLE 6
Vesting / Forfeitures / Taxes

6.1 **Deferral Account**. A Participant shall at all times be one hundred percent (100%) vested in his or her Deferral Account.

6.2 **Discretionary Contribution Account**. Except for an event of forfeiture described in Section 6.5, and unless otherwise described in a Participant's Participation Agreement, a Participant's Discretionary Contribution Account shall become one hundred percent (100%) vested after the Participant completes three (3) Years of Plan Participation.

6.3 **Matching Contribution Account**. Except for an event of forfeiture described in Section 6.5, and unless otherwise described in a Participant's Participation Agreement, a Participant's Matching Contribution Account shall become one hundred percent (100%) vested after the Participant completes five (5) Years of Plan Participation.

6.4 **Acceleration of Vesting**. Notwithstanding the foregoing vesting schedules, a Participant shall become one hundred percent (100%) vested in his or her Accounts upon the earliest of the following events to occur while employed by the Company: (a) death; (b) Disability; or (c) a Change in Control. Additionally, the Company may accelerate vesting at any time in its sole discretion.

6.5 **Forfeitures**. Notwithstanding any provision in the Plan to the contrary, in the event a Participant's employment with the Company is terminated for Cause, no benefits of any kind will be due or payable by the Company under the terms of this Plan from the Discretionary Contribution Account or Matching Contribution Account, whether vested or unvested, and all rights of the Participant, his or her designated Beneficiary, executors, or administrators, or any other person, to receive payments thereof shall be forfeited. Additionally, a Participant will forfeit any portion of an Account that is non-vested upon Separation from Service.

6.6 **Taxes and Withholding**. Deferral Amounts, Discretionary Contributions, Matching Contributions and Deemed Investment gains and/or losses are subject to the Federal Insurance Contribution Act (FICA) and the Federal Unemployment Tax Act (FUTA) to the extent provided under applicable Code provisions, and benefits payable under the Plan are subject to all applicable federal, state, city, income, employment or other taxes as may be required to be withheld or paid. A Participant is solely responsible for the payment of all individual tax liabilities relating to any such benefits.

ARTICLE 7
Payment of Benefits

7.1 **Payments in General**.

(a) **Amount of Benefit**. A Participant (or, in the event of the death of the Participant, the Participant's designated Beneficiary) shall be entitled to a benefit equal to the Participant's vested Account balance as of the earliest payment event to occur under Article 7.

(b) **Source of Payments**. The Company will pay, from its general assets, the portion of any benefit payable pursuant to this Article 7 that is attributable to a Participant's Account, and all costs, charges and expenses relating thereto.

(c) **Subsequent Deferral Elections**. Upon the Company's approval, a Participant may delay the time of a payment or change the form of payment as expressly provided under this Section 7.1(c) and Section 409A (hereinafter, a "Subsequent Deferral Election"). Notwithstanding the foregoing, a Subsequent Deferral Election cannot accelerate any payment. A Subsequent Deferral Election which delays payment or changes the form of payment is permitted only if all of the following requirements are met:

(i) The Subsequent Deferral Election does not take effect until at least twelve (12) months after the date on which the Subsequent Deferral Election is made and approved by the Plan Administrator;

(ii) If the Subsequent Deferral Election relates to a payment based on Separation from Service or at a specified time, the Subsequent Deferral Election must result in payment being deferred for a period of not less than five (5) years from the date the amount would have otherwise been payable;

(iii) If the Subsequent Deferral Election relates to a payment at a specified time, the Participant must make the Subsequent Deferral Election not less than twelve (12) months before the date the first amount was scheduled to be paid.

For purposes of applying this Section 7.1(c), installment payments shall be treated as a "single payment." Any election made pursuant to this Section shall be made on such Election Forms or electronic media as is required by the Plan Administrator, in accordance with the rules established by the Plan Administrator and shall comply with all requirements of Section 409A.

(d) **Calculation of Installments**. In the event that a benefit is to be paid in installments, the amount of each installment shall be determined by dividing the value of the Participant's Account(s) as of the date of the payment event (or on the anniversary of the payment event for subsequent installments) by the number of installments remaining to be paid. (By way of example, if payments are to be made in annual installments over a period of two (2) years, the first payment shall equal 1/2 of the Account balance. The final installment payment shall be equal to the balance of the Account(s), calculated as of the applicable anniversary date.) Any unpaid Account balance shall continue to be deemed to be invested, in which case any deemed income, gains, losses, or expenses shall be reflected in the actual payments. Notwithstanding the foregoing, if the vested Account balance at the due date of the first installment is fifty thousand dollars ($50,000.00) or less, payment of the vested Account balance shall be made instead in a single lump sum and no installments shall be available hereunder.

7.2 **Separation from Service**. In the event of a Participant's Separation from Service, including death, the Participant shall be paid his or her vested Account balance, calculated as of Separation from Service, in two (2) annual installments. The first installment shall commence within ninety (90) days following Separation from Service, with subsequent installments, being paid on the anniversary of the first installment and in accordance with Section 7.1(d). In the event of a Participant's death after installments have commenced but prior to receiving complete payment of installments owed for this benefit, the Company shall continue to pay any remaining installments in accordance with the schedule the installments would have been paid to the Participant had the Participant survived.

7.3 **Payment due to an Unforeseeable Emergency**. A Participant shall have the right to request, on a form provided by the Plan Administrator, a payment of all or a portion of his or her vested Account balance in a lump sum payment due to an Unforeseeable Emergency. The Plan Administrator shall have the sole discretion to determine, in accordance with the standards under Section 409A, whether to grant such a request and the amount to be paid pursuant to such request.

(a) **Determination of Unforeseeable Emergency**. Whether a Participant is faced with an Unforeseeable Emergency permitting a lump sum payment is to be determined based on the relevant facts and circumstances of each case, but, in any case, a payment on account of an Unforeseeable Emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or by cessation of deferrals under the Plan. Payments because of an Unforeseeable Emergency must be limited to the amount reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any federal, state, local, or foreign income taxes or penalties reasonably anticipated to result from the payment).

(b) **Payment of Account**. Payment shall be made within thirty (30) days following the determination by the Plan Administrator that a payment will be permitted.

7.4 **Specified Employee of a Public Company**. If a Participant is considered a "specified employee" of a public company, pursuant to Code Section 409A(a)(2)(B)(i), then solely to the extent necessary to avoid penalties under Section 409A, payments to be made as a result of a Separation from Service under this Article may not commence earlier than six (6) months after the Participant's Separation from Service. In the event a distribution is delayed pursuant to this paragraph, any amounts otherwise payable during the six months shall be accumulated and paid in a lump sum on the first day of the seventh month following Separation from Service.

7.5 **Accelerations**. Except as specifically permitted herein or in other sections of this Plan, no acceleration of the time or schedule of any payment may be made hereunder. Notwithstanding the foregoing, payments may be accelerated hereunder by the Company (without any direct or indirect election on the part of any Participant), in accordance with the provisions of Treasury Regulation §1.409A-3(j)(4) and any subsequent guidance issued by the United States Treasury Department. Accordingly, payments may be accelerated, in accordance with the provisions of Treasury Regulation §1.409A-3(j)(4) in the following circumstances: (a) in limited cashouts (but not in excess of the limit under Code Section 402(g)(1)(B)); (b) to pay employment-related taxes; or (c) to pay any taxes that may become due at any time that the Plan fails to meet the requirements of Section 409A (but in no case shall such payments exceed the amount to be included in income as a result of the failure to comply with the requirements of Section 409A).

7.6 **Rights of Participant and Beneficiary**.

(a) **Creditor Status of Participant and Beneficiary**. The Plan constitutes the unfunded, unsecured promise of the Company to make payments to a Participant or Beneficiary in the future and shall be a liability solely against the general assets of the Company. The Company shall not be required to segregate, set aside or escrow any amounts for the benefit of a Participant or Beneficiary. A Participant and Beneficiary shall have the status of a general unsecured creditor of the Company and may look only to the Company and its general assets for payment of benefits under the Plan.

(b) **Investments**. In its sole discretion, the Company may acquire insurance policies, annuities or other financial vehicles for the purpose of providing future assets of the Company to meet its anticipated liabilities under the Plan. Such policies, annuities or other investments shall at all times be and remain unrestricted general property and assets of the Company. A Participant and his or her designated Beneficiary shall have no rights, other than as general creditors, with respect to such policies, annuities or other acquired assets. In the event that the Company purchases an insurance policy or policies insuring the life of a Participant or Employee, to allow the Company to recover or meet the cost of providing benefits, in whole or in part, hereunder, no Participant or Beneficiary shall have any rights whatsoever in said policy or the proceeds therefrom. The Company shall be the primary owner and beneficiary of any such insurance policy or property and shall possess and may exercise all incidents of ownership therein. No insurance policy with regard to any director, “highly compensated employee,” or “highly compensated individual,” as defined in Code Section 101(j) shall be acquired before satisfying the Code Section 101(j) “Notice and Consent” requirements.

7.7 **Discharge of Obligations**. The payment to the Participant or his or her Beneficiary of the Account balance in full shall discharge all obligations of the Company to such Participant or Beneficiary under the Plan.

ARTICLE 8
Beneficiary Designation

8.1 **Designation of Beneficiaries**.

(a) A Participant may designate any person or persons (who may be named contingently or successively) to receive any benefits payable under the Plan upon the Participant’s death, and the designation may be changed from time to time by the Participant by filing a new designation. Each designation will revoke all prior designations by the same Participant, shall be in the form prescribed by the Company, and shall be effective only when signed by the Participant and filed with the Company during the Participant’s lifetime.

(b) In the absence of a valid Beneficiary designation, or if, at the time any benefit payment is due to a Beneficiary, there is no living Beneficiary validly named by the Participant, the Company shall pay the benefit payment to the Participant's spouse, if then living, and if the spouse is not then living to the Participant's then living descendants, if any, *per stirpes*, and if there are no living descendants, to the Participant's estate. In determining the existence or identity of anyone entitled to a benefit payment, the Company may rely conclusively upon information supplied by the Participant's personal representative, executor, or administrator.

(c) A Participant's designation of a Beneficiary will not be revoked or changed automatically by any future marriage or divorce. Should the participant wish to change the designated Beneficiary in the event of a future marriage or divorce, the Participant will have to do so by means of filing a new designation.

(d) If a question arises as to the existence or identity of anyone entitled to receive a death benefit payment under the Plan, or if a dispute arises with respect to any death benefit payment under the Plan, the Company may distribute the payment to the Participant's estate without liability for any tax or other consequences, or may take any other action which the Company deems to be appropriate.

8.2 **Information to be furnished by Participant and Beneficiary; Inability to Locate Participant or Beneficiary**. Any communication, statement or notice addressed to a Participant or to a Beneficiary at his or her last post office address as shown on the Company's records shall be binding on the Participant or Beneficiary for all purposes of the Plan. The Company shall not be obliged to search for any Participant or Beneficiary beyond the sending of a registered letter to such last known address.

8.3 **Facility of Payment**. If the Plan Administrator determines in its discretion that a benefit is to be paid to a minor, to a person legally declared incompetent, or to a person legally deemed incapable of handling the disposition of that person's property, the Plan Administrator may direct payment of such benefit to the guardian, legal representative or person having care or custody of such minor, incompetent person or incapable person. The Plan Administrator may require proof of incompetence, minority or guardianship as it may deem appropriate prior to payment of the benefit. Any distribution of a benefit shall be a distribution for the account of the Participant and the Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such distribution amount.

ARTICLE 9
Amendment and Termination

9.1 **Right to Amend**. The Company may amend the Plan at any time and in any manner, except that no amendment may adversely affect a benefit to which a Participant or the Beneficiary of a deceased Participant is entitled under the Plan as of the later of the adoption date or effective date of the amendment without the written consent of the Participant or Beneficiary.

9.2 **Amendment to Insure Proper Characterization of the Plan**. Notwithstanding the provisions of Section 9.1, the Plan may be amended by the Company at any time, retroactively if required, if found necessary, in the opinion of the Company, in order to ensure that the Plan is characterized as a "top-hat" plan of deferred compensation maintained for a select group of management or highly compensated employees as described under ERISA Sections 201(2), 301(a)(3), and 401(a)(1), to conform the Plan to the provisions of Section 409A and to conform the Plan to the requirements of any other applicable law (including ERISA and the Code). No such amendment shall be considered prejudicial to any interest of a Participant or a Beneficiary hereunder.

9.3 **Company's Right to Suspend Plan**. The Company reserves the right to suspend the operation of the Plan for a fixed or indeterminate period of time, in its sole discretion. In the event of a suspension of the Plan, during the period of the suspension, the Company shall continue all aspects of the Plan other than crediting Discretionary and Matching Contributions, and Deferral Amounts shall be suspended effective with the first day of the Plan Year following the date the Plan is suspended. Payments of distributions will continue to be made during the period of the suspension in accordance with Article 7.

9.4 **Plan Termination and Liquidation under Section 409A**. Notwithstanding anything to the contrary in Section 9.4, any acceleration of the payment of benefits due to Plan termination and liquidation shall comply with the following subparagraphs, but only as permitted in accordance with Section 409A and Treasury Regulation §1.409A-3(j)(4)(ix). The Company may distribute the vested balance of all Participants' Accounts, determined as of the date of the termination of the Plan, subject to the terms below.

(a) Upon the Company's termination of this and all other arrangements that would be aggregated with this Plan pursuant to Treasury Regulation §1.409A-1(c) if the Participant participated in such arrangements ("Similar Arrangements"), provided that: (i) the termination does not occur proximate to a downturn in the financial health of the Company; (ii) all termination distributions are made no earlier than twelve (12) months and no later than twenty-four (24) months following such termination; and (iii) the Company does not adopt any new arrangement that would be a Similar Arrangement for a minimum of three (3) years following the date the Company takes all necessary action to irrevocably terminate and liquidate the Plan.

(b) Upon the Company's dissolution taxed under Code Section 331, or with approval of a bankruptcy court, provided that the amounts deferred under the Plan are included in the Participant's gross income in the latest of: (i) the calendar year in which the Plan terminates; (ii) the calendar year in which the amount is no longer subject to a substantial risk of forfeiture; or (iii) the first calendar year in which the payment is administratively practicable; or

(c) Within thirty (30) days before or twelve (12) months after a Change in Control, provided that all distributions are made no later than twelve (12) months following such termination of the Plan and further provided that all the Company's arrangements which are substantially similar to the Plan are terminated so the Participant and all participants in the similar arrangements are required to receive all amounts of compensation deferred under the terminated arrangements within twelve (12) months of the termination of the Plan.

ARTICLE 10
Plan Administration

10.1 **Plan Administrator Duties**. The Plan Administrator shall be responsible for the management, operation, and administration of the Plan. When making a determination or calculation, the Plan Administrator shall be entitled to rely on information furnished by the Company, the Participants, or Beneficiaries. No provision of this Plan shall be construed as imposing on the Plan Administrator any fiduciary duty under ERISA or other law, or any duty similar to any fiduciary duty under ERISA or other law.

10.2 **Plan Administrator Authority**. The Plan Administrator shall enforce this Plan in accordance with its terms, shall be charged with the general administration of this Plan, and shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

(a) To construe and interpret the terms and provisions of this Plan and to reconcile any inconsistency, in its sole and absolute discretion;

(b) To compute and certify the amount payable to a Participant and his or her Beneficiaries; to determine the time and manner in which such benefits are paid; and to determine the amount of any withholding taxes to be deducted;

(c) To maintain all records that may be necessary for the administration of this Plan;

(d) To provide for the disclosure of all information and the filing or provision of all reports and statements to a Participant, Beneficiaries, and governmental agencies as shall be required by law;

(e) To make and publish such rules for the regulation of this Plan and procedures for the administration of this Plan so long as no such rules or procedures are not inconsistent with the terms hereof;

(f) To administer this Plan’s claims procedures;

(g) To approve the forms and procedures for use under this Plan; and

(h) To employ such persons or organizations, including without limitation, actuaries, attorneys, accountants, independent fiduciaries, recordkeepers and administrative consultants, to render advice or perform services with respect to the responsibilities of the Plan Administrator under the Plan.

10.3 **Binding Effect of Decision**. The decision or action of the Plan Administrator with respect to any question arising out of or in connection with the administration, interpretation, and application of this Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in this Plan.

10.4 C**ompensation and Expenses**. The Plan Administrator shall serve without compensation for services rendered hereunder. The Plan Administrator is authorized at the expense of the Company to employ such legal counsel and/or Plan recordkeeper as it may deem advisable to assist in the performance of its duties hereunder. Expenses and fees in connection with the administration of this Plan shall be paid by the Company.

10.5 **Compliance with Section 409A**.

(a) Notwithstanding anything contained herein to the contrary, the interpretation and distribution of the Participant's benefits under the Plan shall be made in a manner and at such times as to comply with all applicable provisions of Section 409A and the regulations and guidance promulgated thereunder, or an exception or exclusion therefrom to avoid the imposition of any accelerated or additional taxes. Any defined terms shall be construed consistent with Section 409A and any terms not specifically defined shall have the meaning set forth in Section 409A.

(b) The intent of this Section is to ensure that the Participant is not subject to any tax liability or interest penalty, by reason of the application of Code Section 409A(a)(1) as a result of any failure to comply with all the requirements of Section 409A, and this Section shall be interpreted in light of, and consistent with, such requirements. This Section shall apply to distributions under the Plan, but only to the extent required in order to avoid taxation of, or interest penalties on, the Participant under Section 409A. These rules shall also be deemed modified or supplemented by such other rules as may be necessary, from time to time, to comply with Section 409A.

ARTICLE 11
Claims Procedure

11.1 **Claims Procedure**. This Article is based on Department of Labor Regulation §2560.503-1. If any provision of this Article conflicts with the requirements of those regulations, the requirements of those regulations will prevail. A Claimant who has not received benefits under the Plan that he or she believes should be paid shall make a claim for such benefits as follows:

(a) **Initiation – Written Claim**. The Claimant initiates a claim by submitting a written request for the benefits to the Plan Administrator. The Plan Administrator will, upon written request of a Claimant, make available copies of all forms and instructions necessary to file a claim for benefits or advise the Claimant where such forms and instructions may be obtained.

(b) **Timing of Company Response**. The Plan Administrator shall respond to such Claimant within ninety (90) days after receiving the claim. In the event that the claim for benefits pertains to Disability, the Plan Administrator shall provide written response within forty-five (45) days, but can extend this response period by an additional thirty (30) days, if necessary, due to circumstances beyond the Plan Administrator's control. Any notice of extension must set forth the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render its decision.

(c) **Notice of Decision**. If the Plan Administrator denies the claim, in whole or in part, the Plan Administrator shall notify the Claimant in writing of such denial. The Plan Administrator shall write the notification in a manner calculated to be understood by the Claimant. The notification shall set forth:

(i) The specific reasons for the denial;

(ii) A reference to the specific provisions of the Plan on which the denial is based;

(iii) A description of any additional information or material necessary for the Claimant to perfect the claim and an explanation of why it is needed;

(iv) An explanation of the Plan's review procedures and the time limits applicable to such procedures; and

(v) A statement of the Claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review.

11.2 **Review Procedure**. If the Plan Administrator denies the claim, in whole or in part, the Claimant shall have the opportunity for a full and fair review by the Plan Administrator of the denial, as follows:

(a) **Initiation – Written Request**. To initiate the review, the Claimant, within sixty (60) days after receiving the Plan Administrator's notice of denial, must file with the Plan Administrator a written request for review.

(b) **Additional Submissions – Information Access**. The Claimant shall then have the opportunity to submit written comments, documents, records and other information relating to the claim. The Plan Administrator shall also provide the Claimant, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the Claimant's claim for benefits.

(c) **Considerations on Review**. In considering the review, the Plan Administrator shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

(d) **Timing of Company Response**. The Plan Administrator shall respond in writing to such Claimant within sixty (60) days after receiving the request for review. If the Plan Administrator determines that special circumstances require additional time for processing the claim, the Plan Administrator can extend the response period by an additional sixty (60) days by notifying the Claimant in writing, prior to the end of the initial 60-day period that an additional period is required. The notice of extension must set forth the special circumstances and the date by which the Plan Administrator expects to render its decision.

(e) **Notice of Decision**. The Plan Administrator shall notify the Claimant in writing of its decision on review. The Plan Administrator shall write the notification in a manner calculated to be understood by the Claimant. The notification shall set forth:

(i) The specific reasons for the denial;

(ii) A reference to the specific provisions of the Plan on which the denial is based;

(iii) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the Claimant's claim for benefits; and

(iv) A statement of the Claimant's right to bring a civil action under ERISA Section 502(a).

11.3 **Calculation of Time Periods**. For purposes of the time periods specified in this Article, the period of time during which a benefit determination is required to be made begins at the time a claim is filed in accordance with the Plan procedures without regard to whether all the information necessary to make a decision accompanies the claim. If a period of time is extended due to a Claimant's failure to submit all information necessary, the period for making the determination shall be tolled from the date the notification is sent to the Claimant until the date the Claimant responds.

11.4 **Exhaustion of Remedies**. A Claimant must follow the claims review procedures under this Plan and exhaust his or her administrative remedies before taking any further action with respect to a claim for benefits.

11.5 **Failure of Plan to Follow Procedures**. If the Plan fails to establish or follow the claims procedures required by this Article, a Claimant shall be deemed to have exhausted the administrative remedies available under the Plan and shall be entitled to immediately pursue any available remedy under ERISA Section 502(a) on the basis that the Plan has failed to provide a reasonable claims procedure that would yield a decision on the merits of the claim. The Claimant may request a written explanation of the violation from the Plan, and the Plan must provide such explanation within ten (10) days, including a specific description of its bases, if any, for asserting that the violation should not cause the administrative remedies to be deemed exhausted. If a court rejects the Claimant's request for immediate review on the basis that the Plan met the standards for the exception, the claim shall be considered as re-filed on appeal upon the Plan's receipt of the decision of the court. Within a reasonable time after the receipt of the decision, the Plan shall provide the claimant with notice of the resubmission.

11.6 **Arbitration**. If a Claimant continues to dispute the benefit denial based upon completed performance of the Plan or the meaning and effect of the terms and conditions thereof, then the Claimant must submit the dispute to an arbitrator for final arbitration. The arbitrator shall be selected by mutual agreement of the Company and the Claimant. The arbitrator shall operate under any generally recognized set of arbitration rules. The parties hereto agree that they and their heirs, personal representatives, successors and assigns shall be bound by the decision of such arbitrator with respect to any controversy properly submitted to it for determination. Where a dispute arises as to the Company's discharge of the Participant for Cause, such dispute shall likewise be submitted to arbitration as above described and the parties hereto agree to be bound by the decision thereunder.

ARTICLE 12
Miscellaneous

12.1 **Validity**. In case any provision of this Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal or invalid provision had never been inserted herein.

12.2 **Nonassignability**. Neither the Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate, alienate, or convey in advance of actual receipt, the amounts, if any, payable hereunder, or any part hereof, which are, and all rights to which are expressly declared to be, unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure, attachment, garnishment or sequestration for the payment of any debts, judgments, alimony, or separate maintenance owed by the Participant or any other person, be transferable by operation of law in the event of the Participant's or any other person's bankruptcy or insolvency, or be transferable to a spouse as a result of a property settlement or otherwise. If the Participant, Beneficiary, or successor in interest is adjudicated bankrupt or purports to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber transfer, hypothecate, alienate, or convey in advance of actual receipt, the amount, if any, payable hereunder, or any part thereof, the Plan Administrator, in its discretion, may cancel such distribution or payment (or any part thereof) to or for the benefit of such Participant, Beneficiary, or successor in interest in such manner as the Plan Administrator shall direct.

12.3 **Not a Contract of Employment**. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between the Company and a Participant. Nothing in this Plan shall be deemed to give a Participant the right to be retained in the service of the Company as an Employee or otherwise or to interfere with the right of the Company to discipline or discharge the Participant at any time.

12.4 **Governing Law**. The Plan shall be administered, construed and governed in all respects under and by the laws of the State of California, without reference to the principles of conflicts of law (except and to the extent preempted by applicable federal law).

12.5 **Notice**. Any notice, consent or demand required or permitted to be given under the provisions of this Plan shall be in writing and shall be signed by the party giving or making the same. If such notice, consent or demand is mailed, it shall be sent by United States certified mail, postage prepaid, addressed to the addressee’s last known address as shown on the records of the Company. The date of such mailing shall be deemed the date of notice consent or demand. Any person may change the address to which notice is to be sent by giving notice of the change of address in the manner aforesaid.

12.6 **Coordination with Other Benefits**. The benefits provided for a Participant or the Participant’s Beneficiary under this Plan are in addition to any other benefits available to the Participant under any other plan or program for employees of the Company. This Plan shall supplement and shall not supersede, modify, or amend any other such plan or program except as may otherwise be expressly provided herein.

12.7 **Unclaimed Benefits**. In the case of a benefit payable on behalf of a Participant, if the Plan Administrator is unable to locate the Participant or Beneficiary to whom such benefit is payable, such Plan benefit may be forfeited to the Company upon the Plan Administrator’s determination. Notwithstanding the foregoing, if, subsequent to any such forfeiture, a Participant or Beneficiary to whom such Plan benefit is payable makes a valid claim for such Plan benefit, such forfeited Plan benefit shall be paid by the Plan Administrator to the Participant or Beneficiary, without interest, from the date it would have otherwise been paid.

[signature page follows]

IN WITNESS WHEREOF, the Company executes this Plan as of the date first written above.

PROVIDENCE ADMINISTRATIVE CONSULTING SERVICES, INC.:

By: ______________________________

Title: ______________________________

Printed Name: ______________________________

PACS GROUP, INC.
EXECUTIVE SEVERANCE PLAN

PACS Group, Inc., a Delaware corporation (the "Company"), has adopted this PACS Group, Inc. Executive Severance Plan, including the attached Exhibits (the "Plan"), for the benefit of Participants (as defined below) on the terms and conditions hereinafter stated. The Plan, as set forth herein, is intended to provide severance protections to a select group of management or highly compensated employees (within the meaning of ERISA (as defined below)) in connection with qualifying terminations of employment.

1. **Defined Terms**. Capitalized terms used but not otherwise defined herein shall have the meanings indicated below:

1.1 "Base Salary" means the Participant's annual base salary rate in effect immediately prior to a Qualifying Termination, disregarding any reduction which gives rise to Good Reason.

1.2 "Board" means the Board of Directors of the Company.

1.3 "Cause" means, in respect of a Participant, either (i) the definition of "Cause" contained in an effective, written service or employment agreement between the Participant and the Company or a subsidiary of the Company; or (ii) if no such agreement exists or such agreement does not define Cause, then Cause shall mean:

(a) the Participant's willful failure to substantially perform his or her duties with the Company (other than any such failure resulting from his or her incapacity due to physical or mental illness or any such actual or anticipated failure after his or her issuance of a notice of termination for Good Reason), including the Participant's failure to follow any good faith lawful directive from the Board or the Company's Chief Executive Officer or Executive Vice Chairman (as applicable) within the reasonable scope of his or her duties and the Participant's failure to correct the same (if capable of correction, as determined by the Company) within 30 days after a written notice is delivered to the Participant, which notice specifically identifies the manner in which the Company believes that the Participant has not performed his or her duties; provided, that, for the avoidance of doubt, the Participant's failure to satisfy any specific performance goal or metric or the Company's failure to attain any specific level of financial performance shall not constitute a failure to perform for purposes of this clause (a);

(b) the Participant's commission of, indictment for or entry of a plea of guilty or nolo contendere to a felony crime (excluding vehicular crimes) or a crime of moral turpitude;

(c) the Participant's breach of any material obligation under any written agreement with the Company or its affiliates, including any restrictive covenants contained in an applicable Proprietary Information and Inventions Assignment Agreement or award agreement, or under any applicable policy of the Company or its affiliates that has been provided to or made available to the Participant (including any code of conduct or harassment policies), and the Participant's failure to correct the same (if capable of correction, as determined in good faith by the Company) within 30 days after a written notice is delivered to the Participant, which notice specifically identifies the manner in which the Company believes that the Participant has materially breached such agreement or policy;

(d) any act of fraud, embezzlement, or material misappropriation from the Company or its affiliates by the Participant; or

(e) the Participant's willful misconduct or gross negligence with respect to any material aspect of the Company's business or a material breach by the Participant of his or her fiduciary duty to the Company or its affiliates, which willful misconduct, gross negligence or material breach has a material and demonstrable adverse effect on the Company or its affiliates.

For clarity, a termination without "Cause" does not include any termination that occurs as a result of the Participant's death or disability.

1.4 "Change in Control" shall have the meaning set forth in the Company's 2024 Incentive Award Plan, as may be amended from time to time.

1.5 "CIC Protection Period" means the period beginning on the date of a Change in Control and ending on and including the two-year anniversary of the date of a Change in Control.

1.6 "CIC Termination" means a Qualifying Termination which occurs during the CIC Protection Period.

1.7 "Claimant" shall have the meaning set forth in Section 11.1 hereof.

1.8 "COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985.

1.9 "COBRA Premium Payment" shall have the meaning set forth in Section 4.2(b) hereof.

1.10 "Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor thereto.

1.11 "Committee" means the Compensation Committee of the Board, or such other committee as may be appointed by the Board to administer the Plan.

1.12 "Date of Termination" means the effective date of the termination of the Participant's employment.

1.13 "Effective Date" shall have the meaning set forth in Section 2 hereof.

1.14 "Employee" means an individual who is an employee of the Company or any of its subsidiaries.

1.15 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

1.16 "Excise Tax" shall have the meaning set forth in Section 7.1 hereof.

1.17 "Good Reason" has the meaning set forth in the Participant's Participation Notice.

1.18 "Independent Advisors" shall have the meaning set forth in Section 7.2 hereof.

1.19 "Participant" means each Employee who is selected by the Administrator to participate in the Plan and is provided with (and, if applicable, countersigns) a Participation Notice in accordance with the Plan, other than any Employee who, at the time of his or her termination of employment, is covered by a plan or agreement with the Company or a subsidiary that explicitly supersedes and/or replaces the payments and benefits provided under this Plan.

1.20 "Participation Notice" shall have the meaning set forth in Section 2 hereof.

1.21 "Qualifying Termination" means a termination of the Participant's employment by (i) the Company without Cause or (ii) the Participant for Good Reason. Notwithstanding anything contained herein, in no event shall a Participant be deemed to have experienced a Qualifying Termination (a) if such Participant is offered and/or accepts a comparable employment position (with comparable compensation opportunity) with the Company or any subsidiary, or (b) if in connection with a Change in Control or any other corporate transaction or sale of assets involving the Company or any subsidiary, such Participant is offered and accepts a comparable employment position with the successor or purchaser entity (or an affiliate thereof), as applicable. A Qualifying Termination shall not include a termination of employment due to the Participant's death or disability.

1.22 "Release" shall have the meaning set forth in Section 4.4 hereof.

1.23 "Salary Severance" shall have the meaning set forth in Section 4.2(a) hereof.

1.24 "Severance Benefits" means the severance payments and benefits to which a Participant may become entitled pursuant to Section 4 of the Plan and Exhibit A or Exhibit B, as applicable and each as attached hereto.

1.25 "Severance Period" means the number of months of Salary Severance and COBRA Premium Payment that a Participant is entitled to receive, as determined in accordance with Exhibit A or Exhibit B attached hereto.

1.26 "Total Payments" shall have the meaning set forth in Section 7.1 hereof.

2. **Effectiveness of the Plan; Notification**. The Plan became effective on [______], 2024 (the "Effective Date"). The Administrator shall, pursuant to a written notice to any Employee (a "Participation Notice"), notify each Participant that such Participant has been selected to participate in the Plan.

3. **Administration**. Subject to Section 13.3 hereof, the Plan shall be interpreted, administered and operated by the Committee (the "Administrator"), which shall have complete authority, subject to the express provisions of the Plan, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, and to make all other determinations necessary or advisable for the administration of the Plan. The Administrator may delegate any of its duties hereunder to a subcommittee, or to such person or persons from time to time as it may designate other than to any Participant in the Plan, and the Administrator may delegate (other than to any Participant in the Plan) its duty to provide a Participation Notice to a Participant in the Plan. All decisions, interpretations and other actions of the Administrator (including with respect to whether a Qualifying Termination has occurred) shall be final, conclusive and binding on all parties who have an interest in the Plan.

4. **Severance Benefits**.

4.1 Eligibility. Each Employee who qualifies as a Participant and who experiences a Qualifying Termination is eligible to receive Severance Benefits under the Plan.

4.2 Qualifying Termination Payment. If a Participant experiences a Qualifying Termination (other than a CIC Termination), then, subject to the Participant's execution and, to the extent applicable, non-revocation of a Release in accordance with Section 4.4 hereof, and subject to any additional requirements specified in the Plan, the Company shall pay or provide to the Participant the following, subject to Section 6.2 hereof:

(a) Salary Severance. The Company shall pay to the Participant an amount equal to the Participant's Base Salary that the Participant would have received had the Participant remained employed during the Severance Period (as set forth on Exhibit A), payable in substantially equal installments during the Severance Period, but commencing on the first payroll date following the 60th day following the Date of Termination (and amounts otherwise payable prior to such first payroll date shall be paid on such date without interest thereon) (the "Salary Severance").

(b) COBRA. Subject to the requirements of the Code, if the Participant properly elects healthcare continuation coverage under the Company's group health plans pursuant to COBRA, to the extent that the Participant is eligible to do so, then the Company shall subsidize the COBRA premiums for the Participant and the Participant's covered dependents until the end of the Severance Period (the "COBRA Premium Payment"); provided, however, that the Company shall not subsidize COBRA premiums for any health flexible savings accounts or health reimbursement arrangements. Such subsidy shall be made by direct payment or, at the Company's election, by reimbursement to the Participant, and shall equal an amount determined based on the same benefit levels and cost to the Participant as would have applied based on the Participant's elections in effect on the Date of Termination if the Participant's employment had not been terminated. Notwithstanding the foregoing, (i) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Code Section 409A under Treasury Regulation Section 1.409A-1(a)(5), or (ii) the Company is otherwise unable to continue to cover the Participant under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act), then, in either case, an amount equal to each remaining Company reimbursement shall thereafter be paid to the Participant in substantially equal monthly installments over the Severance Period (or the remaining portion thereof).

4.3 CIC Termination Payment. If a Participant experiences a CIC Termination, then, subject to the Participant's execution and, to the extent applicable, non-revocation of a Release in accordance with Section 4.4 hereof, and subject to any additional requirements specified in the Plan, the Company shall pay or provide to the Participant the following, subject to Section 6.2 hereof:

(a) Salary Severance. The Company shall pay or provide to the Participant the Salary Severance set forth in Section 4.2(a) hereof; provided, however, that the Severance Period shall be determined in accordance with Exhibit B attached hereto (instead of in accordance with Exhibit A).

(b) COBRA. The Company shall provide to the Participant the COBRA Premium Payment set forth in Section 4.2(b) hereof; provided, however, that the Severance Period shall be determined in accordance with Exhibit B attached hereto (instead of in accordance with Exhibit A).

4.4 Release. Notwithstanding anything herein to the contrary, no Participant shall be eligible or entitled to receive or retain any Severance Benefits under the Plan unless he or she executes a general release of claims substantially in the form attached hereto as Exhibit C (the "Release") within 21 days (or 45 days if necessary to comply with applicable law) after the Date of Termination and, if he or she is entitled to a seven day post-signing revocation period under applicable law, does not revoke such Release during such seven day period.

5. **Limitations**. Notwithstanding any provision of the Plan to the contrary, if a Participant's status as an Employee is terminated for any reason other than due to a Qualifying Termination, the Participant shall not be entitled to receive any Severance Benefits under the Plan, and the Company shall not have any obligation to such Participant under the Plan.

6. **Section 409A**.

6.1 General. To the extent applicable, the Plan shall be interpreted and applied consistent and in accordance with Code Section 409A and Department of Treasury regulations and other interpretive guidance issued thereunder. Notwithstanding any provision of the Plan to the contrary, to the extent that the Administrator determines that any payments or benefits under the Plan may not be either compliant with or exempt from Code Section 409A and related Department of Treasury guidance, the Administrator may in its sole discretion adopt such amendments to the Plan or take such other actions that the Administrator determines are necessary or appropriate to (a) exempt the compensation and benefits payable under the Plan from Code Section 409A and/or preserve the intended tax treatment of such compensation and benefits, or (b) comply with the requirements of Code Section 409A and related Department of Treasury guidance; *provided*, *however*, that this Section 6.1 shall not create any obligation on the part of the Administrator to adopt any such amendment or take any other action, nor shall the Company have any liability for failing to do so.

6.2 Potential Six-Month Delay. Notwithstanding anything to the contrary in the Plan, no amounts shall be paid to any Participant under the Plan during the six-month period following such Participant's "separation from service" (within the meaning of Code Section 409A(a)(2)(A)(i) and Treasury Regulation Section 1.409A-1(h)) to the extent that the Administrator determines that paying such amounts at the time or times indicated in the Plan would result in a prohibited distribution under Code Section 409A(a)(2)(B)(i). If the payment of any such amounts is delayed as a result of the previous sentence, then on the first business day following the end of such six-month period (or such earlier date upon which such amount can be paid under Code Section 409A without resulting in a prohibited distribution, including as a result of the Participant's death), the Participant shall receive payment of a lump-sum amount equal to the cumulative amount that would have otherwise been payable to the Participant during such six-month period without interest thereon.

6.3 Separation from Service. A termination of employment shall not be deemed to have occurred for purposes of any provision of the Plan providing for the payment of any amounts or benefits that constitute "nonqualified deferred compensation" under Code Section 409A upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of the Plan, references to a "termination," "termination of employment" or like terms shall mean "separation from service".

6.4 Reimbursements. To the extent that any payments or reimbursements provided to a Participant under the Plan are deemed to constitute compensation to the Participant to which Treasury Regulation Section 1.409A-3(i)(1)(iv) would apply, such amounts shall be paid or reimbursed reasonably promptly, but not later than December 31st of the year following the year in which the expense was incurred. The amount of any such payments eligible for reimbursement in one year shall not affect the payments or expenses that are eligible for payment or reimbursement in any other taxable year, and the Participant's right to such payments or reimbursement of any such expenses shall not be subject to liquidation or exchange for any other benefit.

6.5 Installments. For purposes of applying the provisions of Code Section 409A to the Plan, each separately identified amount to which a Participant is entitled under the Plan shall be treated as a separate payment. In addition, to the extent permissible under Code Section 409A, the right to receive any installment payments under the Plan shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment as permitted under Treasury Regulation Section 1.409A-2(b)(2)(iii). Whenever a payment under the Plan specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Company.

7. **Limitation on Payments**.

7.1 Best Pay Cap. Notwithstanding any other provision of the Plan, in the event that any payment or benefit received or to be received by a Participant (including any payment or benefit received in connection with a termination of the Participant's employment, whether pursuant to the terms of the Plan or any other plan, arrangement or agreement) (all such payments and benefits, including the Severance Benefits, being hereinafter referred to as the "Total Payments") would be subject (in whole or part), to the excise tax imposed under Code Section 4999 (the " Excise Tax"), then, after taking into account any reduction in the Total Payments provided by reason of Code Section 280G in such other plan, arrangement or agreement, the cash severance payments under the Plan shall first be reduced, and any noncash severance payments shall thereafter be reduced, to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax but only if (a) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments) is greater than or equal to (b) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of Excise Tax to which the Participant would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments).

7.2 Certain Exclusions. For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (a) no portion of the Total Payments, the receipt or retention of which the Participant has waived at such time and in such manner so as not to constitute a "payment" within the meaning of Code Section 280G(b), will be taken into account; (b) no portion of the Total Payments will be taken into account which, in the written opinion of an independent, nationally recognized accounting firm (the "Independent Advisors") selected by the Company, does not constitute a "parachute payment" within the meaning of Code Section 280G(b)(2) (including by reason of Code Section 280G(b)(4)(A)) and, in calculating the Excise Tax, no portion of such Total Payments will be taken into account which, in the opinion of Independent Advisors, constitutes reasonable compensation for services actually rendered, within the meaning of Code Section 280G(b)(4)(B), in excess of the "base amount" (as defined in Code Section 280G(b)(3)) allocable to such reasonable compensation; and (c) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Independent Advisors in accordance with the principles of Code Sections 280G(d)(3) and (4).

8 . **No Mitigation**. No Participant shall be required to seek other employment or attempt in any way to reduce or mitigate any Severance Benefits payable under the Plan and the amount of any such Severance Benefits shall not be reduced by any other compensation paid or provided to any Participant following such Participant's termination of employment.

9. **Successors**.

9.1 Company Successors. The Plan shall inure to the benefit of and shall be binding upon the Company and its successors and assigns. Any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume and agree to perform the obligations of the Company under the Plan.

9.2 Participant Successors. The Plan shall inure to the benefit of and be enforceable by each Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, legatees or other beneficiaries. If a Participant dies while any amount remains payable to such Participant hereunder, all such amounts shall be paid in accordance with the terms of the Plan to the executors, personal representatives or administrators of such Participant's estate.

10. **Notices**. All communications relating to matters arising under the Plan shall be in writing and shall be deemed to have been duly given when hand delivered, faxed, emailed or mailed by reputable overnight carrier or United States certified mail, return receipt requested, addressed, if to a Participant, to the address or email address on file with the Company or to such other address or email address as the Participant may have furnished to the other in writing in accordance herewith and, if to the Company, to such address or email address as may be specified from time to time by the Administrator, except that notice of change of address shall be effective only upon actual receipt.

11. **Claims Procedure; Arbitration**.

11.1 Claims. Generally, Participants are not required to present a formal claim in order to receive benefits under the Plan. If, however, any person believes that benefits are being denied improperly, that the Plan is not being operated properly, or that their legal rights are being violated with respect to the Plan (the "Claimant"), the Claimant must file a formal claim, in writing, with the Administrator. This requirement applies to all claims that any Claimant has with respect to the Plan, except to the extent the Administrator determines, in its sole discretion that it does not have the power to grant all relief reasonably being sought by the Claimant. A formal claim must be filed within 90 days after the date the Claimant first knew or should have known of the facts on which the claim is based, unless the Administrator consents otherwise in writing. The Administrator shall provide a Claimant, on request, with a copy of the claims procedures established under Section 11.2 hereof.

11.2 Claims Procedure. The Administrator has adopted procedures for considering claims (which are set forth in Exhibit D attached hereto), which it may amend or modify from time to time, as it sees fit. These procedures shall comply with all applicable legal requirements. These procedures may provide that final and binding arbitration shall be the ultimate means of contesting a denied claim (even if the Administrator or its delegates have failed to follow the prescribed procedures with respect to the claim). The right to receive benefits under the Plan is contingent on a Claimant using the prescribed claims and appeal procedures to resolve any claim.

12. **Covenants.**

12.1 Restrictive Covenants. A Participant's right to receive and/or retain the Severance Benefits payable under this Plan is conditioned upon and subject to the Participant's continued compliance with any restrictive covenants (e.g., confidentiality, invention assignment, non-solicitation, non-disparagement) contained in any other written agreement between the Participant and the Company, as in effect on the date of the Participant's Qualifying Termination.

12.2 Return of Property. A Participant's right to receive and/or retain the Severance Benefits payable under the Plan is conditioned upon the Participant's return to the Company of all Company documents (and all copies thereof) and other Company property (in each case, whether physical, electronic or otherwise) in the Participant's possession or control.

12.3 Ongoing Cooperation. Following Participant's termination of employment for any reason, Participant agrees to cooperate in good faith with the Company and use Participant's best efforts in responding to all reasonable requests by the Company for assistance and advice relating to matters and procedures in which Participant was involved or which Participant managed or was responsible for while Participant was employed by the Company (or any subsidiary thereof). Participant agrees to reasonably cooperate with and make himself or herself available to the Company and its representatives and legal advisors in connection with any matters in which Participant is or was involved or any existing or future claims, investigations, administrative proceedings, lawsuits and other legal matters, as reasonably requested by the Company. Participant also agrees that within five business days of receipt (or more promptly if reasonably required by the circumstances) Participant will send to the Company, attention to its Chief Legal Officer, copies of all correspondence (for example, but not limited to, subpoenas) received by Participant in connection with any legal proceedings involving or relating to the Company or its subsidiaries, unless Participant is expressly prohibited by law from so doing. Participant agrees that Participant will not voluntarily cooperate with any third party in any actual or threatened claim, charge, or cause of action of any nature whatsoever against the Company or its subsidiaries. Participant understands that nothing in this Plan prevents Participant from cooperating with any government investigation. The Company shall reimburse Participant for any reasonable out-of-pocket expenses incurred in connection with Participant's performance of obligations pursuant to this Section for which Participant has obtained prior approval from the Company, and in the event that the services performed by Participant at the request of the Company pursuant to this Section require a material and ongoing time commitment by Participant, the parties will in good faith negotiate the amount of compensation to be paid by the Company to Participant with respect to such services; provided, that, to the extent the services performed by Participant pursuant to this Section relate to Participant's actions or omissions which constitute(d) Cause, Participant will not be entitled to any reimbursement or compensation pursuant to this Section.

13. **Miscellaneous.**

13.1 Entire Plan; Relation to Other Agreements. The Plan, together with any Participation Notice issued in connection with the Plan, contains the entire understanding of the parties relating to the subject matter hereof and supersedes any prior agreement, arrangement and understanding between any Participant, on the one hand, and the Company and/or any subsidiary, on the other hand, with respect to the subject matter hereof. Severance payable under the Plan is not intended to duplicate any other cash and/or healthcare severance benefits payable to a Participant by the Company (for the avoidance of doubt, sign-on bonus payments, retention bonus payments, transaction bonus payments and other similar cash payments shall not constitute "other cash severance" for purposes of this Plan).

13.2 No Right to Continued Service. Nothing contained in the Plan shall (a) confer upon any Participant any right to continue as an employee of the Company or any subsidiary, (b) constitute any contract of employment or agreement to continue employment for any particular period, or (c) interfere in any way with the right of the Company to terminate a service relationship with any Participant, with or without Cause.

13.3 Termination and Amendment of Plan. The Plan may not be amended, modified, suspended or terminated except with the express written consent of each Participant who would be adversely affected by any such amendment, modification, suspension or termination.

13.4 Survival. Section 7 (Limitation on Payments), Section 11 (Claims Procedure; Arbitration) and Section 12 (Covenants) hereof shall survive the termination or expiration of the Plan and shall continue in effect.

13.5 Severance Benefit Obligations. Notwithstanding anything contained herein, Severance Benefits paid or provided under the Plan may be paid or provided by the Company or any subsidiary employer, as applicable.

13.6 Withholding. The Company shall have the authority and the right to deduct and withhold an amount sufficient to satisfy federal, state, local and foreign taxes required by law to be withheld with respect to any Severance Benefits payable under the Plan.

13.7 Benefits Not Assignable. Except as otherwise provided herein or by law, no right or interest of any Participant under the Plan shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge or in any manner; no attempted assignment or transfer thereof shall be effective; and no right or interest of any Participant under the Plan shall be liable for, or subject to, any obligation or liability of such Participant. When a payment is due under the Plan to a Participant who is unable to care for his or her affairs, payment may be made directly to his or her legal guardian or personal representative.

13.8 Applicable Law. The Plan is intended to be an unfunded "top hat" pension plan within the meaning of U.S. Department of Labor Regulation Section 2520.104-23 and shall be interpreted, administered, and enforced as such in accordance with ERISA. To the extent that state law is applicable, the statutes and common law of the State of Delaware, excluding any that mandate the use of another jurisdiction's laws, will apply.

13.9 Validity. The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan, which shall remain in full force and effect.

13.10 Captions. The captions contained in the Plan are for convenience only and shall have no bearing on the meaning, construction or interpretation of the Plan's provisions.

13.11 Expenses. The expenses of administering the Plan shall be borne by the Company or its successor, as applicable.

13.12 Unfunded Plan. The Plan shall be maintained in a manner to be considered "unfunded" for purposes of ERISA. The Company shall be required to make payments only as benefits become due and payable. No person shall have any right, other than the right of an unsecured general creditor against the Company, with respect to the benefits payable hereunder, or which may be payable hereunder, to any Participant, surviving spouse or beneficiary hereunder. If the Company, acting in its sole discretion, establishes a reserve or other fund associated with the Plan, no person shall have any right to or interest in any specific amount or asset of such reserve or fund by reason of amounts which may be payable to such person under the Plan, nor shall such person have any right to receive any payment under the Plan except as and to the extent expressly provided in the Plan. The assets in any such reserve or fund shall be part of the general assets of the Company, subject to the control of the Company.

* * * * *

I hereby certify that the foregoing Plan was duly adopted by the Board of Directors of PACS Group, Inc. on [_____], 2024.

Signature: ______________________________

Name:

Title:

EXHIBIT A

CALCULATION OF QUALIFYING TERMINATION SEVERANCE AMOUNTS

Severance Period
12 months

EXHIBIT B

CALCULATION OF CIC TERMINATION SEVERANCE AMOUNTS

Severance Period
24 months

EXHIBIT C

FORM OF RELEASE

1. Release. For valuable consideration, including the payments or benefits under Section 4 of the PACS Group, Inc. Executive Severance Plan (the "***Severance Plan***"), the receipt and adequacy of which are hereby acknowledged, the undersigned does hereby release and forever discharge the "***Releasees***" hereunder, consisting of PACS Group, Inc., a Delaware corporation (the " ***Company***"), Providence Administrative Consulting Services, Inc., and the Company's partners, subsidiaries, associates, affiliates, successors, heirs, assigns, agents, directors, officers, employees, representatives, lawyers, insurers, and all persons acting by, through, under or in concert with them, or any of them, of and from any and all manner of action or actions, cause or causes of action, in law or in equity, suits, debts, liens, contracts, agreements, promises, liability, claims, demands, damages, losses, costs, attorneys' fees or expenses, of any nature whatsoever, known or unknown, fixed or contingent (hereinafter called "***Claims***"), which the undersigned now has or may hereafter have against the Releasees, or any of them, by reason of any matter, cause, or thing whatsoever from the beginning of time to the date hereof. The Claims released herein include, without limiting the generality of the foregoing, any Claims in any way arising out of, based upon, or related to the employment or termination of employment of the undersigned by the Releasees, or any of them; any alleged breach of any express or implied contract of employment; any alleged torts or other alleged legal restrictions on Releasees' right to terminate the employment of the undersigned; any alleged violation of any federal, state or local statute or ordinance including, without limitation, Title VII of the Civil Rights Act of 1964, the Age Discrimination In Employment Act, the Americans With Disabilities Act, the Utah Antidiscrimination Act, the Employment Relations and Collective Bargaining Act, the Utah Right to Work Act, the Utah Drug and Alcohol Testing Act, the Utah Minimum Wage Act, the Utah Protection of Activities in Private Vehicles Act, the Utah Employment Selection Procedures Act, the Utah Occupational Safety and Health Act, and the Utah Internet Employment Privacy Act.[1]

2. Claims Not Released. Notwithstanding the foregoing, this general release (the "***Release***") shall not operate to release any rights or claims of the undersigned (i) to payments or benefits under Section 4 of the Severance Plan, with respect to the payments and benefits provided in exchange for this Release, (ii) to payments or benefits under any equity award agreement between the undersigned and the Company, (iii) to accrued or vested benefits the undersigned may have, if any, as of the date hereof under any applicable plan, policy, practice, program, contract or agreement with the Company, (iv) to any Claims, including claims for indemnification and/or advancement of expenses arising under any indemnification agreement between the undersigned and the Company or under the bylaws, certificate of incorporation or other similar governing document of the Company, (v) to any Claims which cannot be waived by an employee under applicable law or (vi) with respect to the undersigned's right to communicate directly with, cooperate with, or provide information to, any federal, state or local government regulator.

[1] NTD: To be updated to reflect additional claims based on employee's state of employment (if outside of Utah) as needed.

3. Unknown Claims.

[THE UNDERSIGNED ACKNOWLEDGES THAT THE UNDERSIGNED HAS BEEN ADVISED BY LEGAL COUNSEL AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

THE UNDERSIGNED, BEING AWARE OF SAID CODE SECTION, HEREBY EXPRESSLY WAIVES ANY RIGHTS THE UNDERSIGNED MAY HAVE THEREUNDER, AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.]

4. Exceptions. Notwithstanding anything in this Release to the contrary, nothing contained in this Release shall prohibit the undersigned from (i) filing a charge with, reporting possible violations of federal law or regulation to, participating in any investigation by, or cooperating with any governmental agency or entity or making other disclosures that are protected under the whistleblower provisions of applicable law or regulation and/or (ii) communicating directly with, cooperating with, or providing information (including trade secrets) in confidence to, any federal, state or local government regulator (including, but not limited to, the U.S. Securities and Exchange Commission, the U.S. Commodity Futures Trading Commission, the U.S. Department of Justice or the National Labor Relations Board (the "***NLRB***")) for the purpose of reporting or investigating a suspected violation of law, or from providing such information to the undersigned's attorney or in a sealed complaint or other document filed in a lawsuit or other governmental proceeding. Pursuant to 18 USC Section 1833(b), the undersigned will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (x) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (y) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nothing in this Release prevents the undersigned from participating in an activity permitted by Section 7 of the National Labor Relations Act or from filing an unfair labor practice charge with the NLRB, or from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that the undersigned has reason to believe is unlawful.

5. Representations. The undersigned represents and warrants that there has been no assignment or other transfer of any interest in any Claim which the undersigned may have against Releasees, or any of them, and the undersigned agrees to indemnify and hold Releasees, and each of them, harmless from any liability, Claims, demands, damages, costs, expenses and attorneys' fees incurred by Releasees, or any of them, as the result of any such assignment or transfer or any rights or Claims under any such assignment or transfer. It is the intention of the parties that this indemnity does not require payment as a condition precedent to recovery by the Releasees against the undersigned under this indemnity.

6. No Action. The undersigned agrees that if the undersigned hereafter commences any suit arising out of, based upon, or relating to any of the Claims released hereunder or in any manner asserts against Releasees, or any of them, any of the Claims released hereunder, then the undersigned agrees to

pay to Releasees, and each of them, in addition to any other damages caused to Releasees thereby, all attorneys' fees incurred by Releasees in defending or otherwise responding to said suit or Claim. Notwithstanding the foregoing, this provision shall not apply to any suit or Claim to the extent it challenges the effectiveness of this Release with respect to a claim under the Age Discrimination in Employment Act.

7 . No Admission. The undersigned further understands and agrees that neither the payment of any sum of money nor the execution of this Release shall constitute or be construed as an admission of any liability whatsoever by the Releasees, or any of them, who have consistently taken the position that they have no liability whatsoever to the undersigned.

8. [OWBPA.[2] The undersigned agrees and acknowledges that this Release constitutes a knowing and voluntary waiver and release of all Claims the undersigned has or may have against the Company and/or any of the Releasees as set forth herein, including, but not limited to, all Claims arising under the Older Worker's Benefit Protection Act and the Age Discrimination in Employment Act. In accordance with the Older Worker's Benefit Protection Act, the undersigned is hereby advised as follows:

(i) the undersigned has read the terms of this Release, and understands its terms and effects, including the fact that the undersigned agreed to release and forever discharge the Company and each of the Releasees, from any Claims released in this Release;

(ii) the undersigned understands that, by entering into this Release, the undersigned does not waive any Claims that may arise after the date of the undersigned's execution of this Release, including without limitation any rights or claims that the undersigned may have to secure enforcement of the terms and conditions of this Release;

(iii) the undersigned has signed this Release voluntarily and knowingly in exchange for the consideration described in this Release, which the undersigned acknowledges is adequate and satisfactory to the undersigned and which the undersigned acknowledges is in addition to any other benefits to which the undersigned is otherwise entitled;

(iv) the Company advises the undersigned to consult with an attorney prior to executing this Release;

(v) the undersigned has been given at least [21 / 45] days in which to review and consider this Release. To the extent that the undersigned chooses to sign this Release prior to the expiration of such period, the undersigned acknowledges that the undersigned has done so voluntarily, had sufficient time to consider the Release, to consult with counsel and that the undersigned does not desire additional time and hereby waives the remainder of the [21 / 45]-day period;

(vi) [the undersigned understands that Attachment 1 to this Release is a list of the job titles and ages for all individuals in the undersigned's decisional unit who have been selected for the program, as well as the job titles and ages of all individuals in the undersigned's decisional unit who have not been selected for the program, as of [_____], the date the Company provided this Release to the undersigned;][3] and

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[2] NTD: Use for employees 40 years of age or older. The consideration period will be 21 days for a non-group termination and 45 days for a group termination.

[3] NTD: To be included for group termination.

(vii) the undersigned may revoke this Release within seven days from the date the undersigned signs this Release and this Release will become effective upon the expiration of that revocation period if the undersigned has not revoked this Release during such seven-day period. If the undersigned revokes this Release during such seven-day period, this Release will be null and void and of no force or effect on either the Company or the undersigned and the undersigned will not be entitled to any of the payments or benefits which are expressly conditioned upon the execution and non-revocation of this Release. Any revocation must be in writing and sent to [*name*], via electronic mail at [*email address*], on or before [11:59 p.m. Mountain time] on the seventh day after this Release is executed by the undersigned.]

9. [Certain Rights.[4] The undersigned is hereby advised as follows:

(i) the undersigned has read the terms of this Release, and understands its terms and effects, including the fact that the undersigned agreed to release and forever discharge the Company and each of the Releasees, from any Claims released in this Release;

(ii) the undersigned understands that, by entering into this Release, the undersigned does not waive any Claims that may arise after the date of the undersigned's execution of this Release, including without limitation any rights or claims that the undersigned may have to secure enforcement of the terms and conditions of this Release;

(iii) the undersigned has signed this Release voluntarily and knowingly in exchange for the consideration described in this Release, which the undersigned acknowledges is adequate and satisfactory to the undersigned and which the undersigned acknowledges is in addition to any other benefits to which the undersigned is otherwise entitled;

(iv) the undersigned has a right to, and the Company advises the undersigned to, consult with an attorney prior to executing this Release; and

(v) [the undersigned has been given at least five business days in which to review and consider this Release.] [5] To the extent that the undersigned chooses to sign this Release [prior to the expiration of such period], the undersigned acknowledges that the undersigned has done so voluntarily, had sufficient time to consider the Release, to consult with counsel and that the undersigned does not desire additional time to review and consider this Release [and hereby waives the remainder of the period].]

10. Governing Law. This Release is deemed made and entered into in the State of [____], [6] and in all respects shall be interpreted, enforced and governed under the internal laws of the State of [____], to the extent not preempted by federal law.

IN WITNESS WHEREOF, the undersigned has executed this Release this ____ day of ____________, ____.

____
[______]

[4] NTD: Use for employees younger than 40.

[5] NTD: Bracketed text in this section to be included for employees in California.

[6] NTD: To be the employee's state of employment.

ATTACHMENT 1 TO EXHIBIT C

[OLDER WORKER BENEFIT PROTECTION ACT DISCLOSURE]

[To be included if applicable]

EXHIBIT D

DETAILED CLAIMS PROCEDURES

Section 1.1. Claim Procedure. Claims for benefits under the Plan shall be administered in accordance with Section 503 of ERISA and the Department of Labor Regulations thereunder. The Administrator shall have the right to delegate its duties under this Exhibit and all references to the Administrator shall be a reference to any such delegate, as well. The Administrator shall make all determinations as to the rights of any Claimant. A Claimant may authorize a representative to act on his or her behalf with respect to any claim under the Plan. A Claimant who asserts a right to any benefit under the Plan he has not received, in whole or in part, must file a written claim with the Administrator in accordance with Section 11.1 and this Exhibit D. All written claims shall be submitted to [*Title*] at [*Email Address*] or [*Mailing Address*].

Section 1.2. Timing of Claim Denial. If the Administrator denies a claim in whole or in part (an "initial adverse benefit determination"), then the Administrator will provide notice of the decision to the Claimant within a reasonable period of time, not to exceed 90 days after the Administrator receives the claim, unless the Administrator determines that any extension of time for processing is required. In the event that the Administrator determines that such an extension is required, written notice of the extension will be furnished to the Claimant before the end of the initial 90 day review period. The extension will not exceed a period of 90 days from the end of the initial 90 day period, and the extension notice will indicate the special circumstances requiring such extension of time and the date by which the Administrator expects to render the benefit decision.

Section 1.3. Contents of Claim Denial Notice. The Administrator shall provide every Claimant who is denied a claim for benefits with a written or electronic notice of its initial adverse benefit determination. The notice will set forth, in a manner to be understood by the Claimant:

(1) the specific reason or reasons for the initial adverse benefit determination;

(2) reference to the specific Plan provisions on which the determination is based;

(3) a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation as to why such information is necessary; and

(4) an explanation of the Plan's appeal procedure and the time limits applicable to such procedures, including a statement of the Claimant's right to bring an action under Section 502(a) of ERISA after receiving a final adverse benefit determination upon appeal.

Section 1.4. Appeal Procedures. The Claimant may appeal an initial adverse benefit determination by submitting a written appeal to the Administrator within 60 days of receiving notice of the denial of the claim. The Claimant:

(1) may submit written comments, documents, records and other information relating to the claim for benefits;

(2) will be provided, upon request and without charge, reasonable access to and copies of all documents, records and other information relevant to the Claimant's claim for benefits; and

(3) will receive a review that takes into account all comments, documents, records and other information submitted by the Claimant relating to the appeal, without regard to whether such information was submitted or considered in the initial benefit determination.

Section 1.5. Decision on Appeal. The Administrator will conduct a full and fair review of the claim and the initial adverse benefit determination. The Administrator holds regularly scheduled meetings at least quarterly. The Administrator shall make a benefit determination no later than the date of the regularly scheduled meeting that immediately follows the Administrator's receipt of an appeal request, unless the appeal request is filed within 30 days preceding the date of such meeting. In such case, a benefit determination may be made by no later than the date of the second regularly scheduled meeting following the Administrator's receipt of the appeal request. If special circumstances require a further extension of time for processing, a benefit determination shall be rendered no later than the third regularly scheduled meeting of the Administrator following the Administrator's receipt of the appeal request. If such an extension of time for review is required, the Administrator shall provide the Claimant with written notice of the extension, describing the special circumstances and the date as of which the benefit determination will be made, prior to the commencement of the extension. The Administrator generally cannot extend the review period any further unless the Claimant voluntarily agrees to a longer extension. The Administrator shall notify the Claimant of the benefit determination as soon as possible but not later than five days after it has been made.

Section 1.6. Notice of Determination on Appeal. If the appeal is denied, the Administrator shall provide the Claimant with written or electronic notification of its denial ("final adverse benefit determination"), which shall set forth, in a manner intended to be understood by the Claimant:

(1) the specific reason or reasons for the final adverse benefit determination;

(2) reference to the specific Plan provisions on which the final adverse benefit determination is based;

(3) a statement that the Claimant is entitled to receive, upon request and without charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim for benefits;

(4) a statement describing any voluntary appeal procedures offered by the Plan and the Claimant's right to obtain the information about such procedures; and

(5) a statement of the Claimant's right to bring an action under Section 502(a) of ERISA.

Section 1.7. Exhaustion; Judicial Proceedings. No action at law or in equity shall be brought to recover benefits under the Plan until the claim and appeal rights described in the Plan have been exercised and the Plan benefits requested in such appeal have been denied in whole or in part. If any judicial proceeding is undertaken to appeal the denial of a claim or bring any other action under ERISA, the evidence presented may be strictly limited to the evidence timely presented to the Administrator. Any such judicial proceeding must be filed by the earlier of: (a) one year after the final adverse benefit determination or (b) one year after the Participant or other Claimant commenced payment of the Plan benefits at issue in the judicial proceeding.

Section 1.8. Administrator's Decision is Binding. Benefits under the Plan shall be paid only if the Administrator decides in its sole discretion that a Claimant is entitled to them. In determining claims for benefits, the Administrator has the authority to interpret the Plan, to resolve ambiguities, to make factual determinations, and to resolve questions relating to eligibility for and amount of benefits. Subject to applicable law, any decision made in accordance with the above claims procedures is final and binding on all parties and shall be given the maximum possible deference allowed by law. A misstatement or other mistake of fact shall be corrected when it becomes known and the Administrator shall make such adjustment on account thereof as it considers equitable and practicable.

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated March 13, 2024 (except for the retroactive effect of the 1-for-6,436.1693 stock split as described in the fourth paragraph of Note 17, as to which the date is April 1, 2024), in Amendment No. 2 to the Registration Statement (Form S-1 No. 333-277893) and related Prospectus of PACS Group, Inc. for the registration of 19,050,000 shares of its common stock.

/s/ Ernst & Young LLP

Salt Lake City, Utah
April 1, 2024