

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2025

OR

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

For the transition period from _____ to _____.

Commission file number 001-42011

PACS Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

92-3144268

(I.R.S. Employer
Identification No.)

**262 N. University Ave.
Farmington, Utah 84025**

(Address of Principal Executive Offices) (Zip Code)

(801) 447-9829

Registrant's telephone number, including area code

N/A

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

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.001 per share	PACS	The New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☐ No ☒

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

Large accelerated filer

☐

Accelerated filer

☐

Non-accelerated filer

☒

Smaller reporting company

☐

Emerging growth company

☐

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

☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

As of November 17, 2025, there were 156,615,144 shares of the registrant's common stock, par value \$0.001 per share, outstanding.

PACS GROUP, INC. AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE MONTHS ENDED MARCH 31, 2025
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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q may be forward-looking statements including, but not limited to, statements regarding our strategy, future financial condition, future operations, projected costs, prospects, plans, objectives of management, and expected market growth; our strategy, plans, objectives and expectations for our business; facility openings and closures; the effects of industry and regulatory developments; our liquidity, capital resources and uses of cash, including our Amended and Restated Credit Facility, amendments, waivers and forbearance arrangements, and access to capital; the scope, timing, costs and potential impacts of governmental and regulatory investigations and the SEC investigation, as well as other litigation and legal proceedings; the restatement of prior periods and related impacts; and our internal controls and disclosure controls and procedures, including any material weaknesses and related remediation. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “targets,” “projects,” “contemplates,” “believes,” “estimates,” “forecasts,” “predicts,” “potential” or “continue” or the negative of these terms or other similar expressions.

The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. 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, including, but not limited to, our dependence on reimbursement from third-party payors, and changes in patient acuity, payor mix, payment methodologies, or new cost-containment initiatives could reduce our revenue and margins; we may not be fully reimbursed under consolidated billing or bundled payments, adversely affecting our financial condition; shortages of nurses and other skilled staff, or heightened competition for such personnel, could increase labor costs and lead to penalties; state regulation or deregulation of healthcare services and facility development could restrict our growth or intensify competition; failure to attract patients and compete effectively may reduce revenue and profitability; compliance reviews of care, records, and billing may identify issues requiring repayments or other costs; litigation and claims common in our industry could result in significant legal expenses, settlements, damages, or losses under our self-insurance programs; a material weakness in internal control over financial reporting, or failure to remediate or maintain effective controls, could impair timely, accurate reporting, reduce investor confidence, expose us to penalties, and harm our stock value; inconsistent quality of care or staff misconduct could harm patients, trigger civil or criminal penalties, and damage our business; failures or interruptions in our information technology could disrupt operations; operational metrics derived from internal systems may be inaccurate, harming our reputation and business; we may be unable to complete acquisitions at attractive prices or at all, and divestitures of underperforming or non-strategic assets could reduce revenue; we may not successfully integrate acquired facilities or realize expected benefits; acquisition activity may entail unforeseen costs, liabilities, or regulatory issues that adversely affect operations; we may face challenges forming joint ventures aligned with our growth strategy; lower CMS or private quality ratings could negatively affect our business; limited availability or higher cost of insurance could adversely affect us; our self-insurance programs may expose us to significant and unexpected costs; concentration of facilities in certain regions increases vulnerability to local economic downturns, regulatory shifts, or natural disasters; union activity may adversely affect revenue and profitability; because we lease most facilities, we face risks from lease terminations, renewal negotiations, and special charges that could impact results; insufficient cash flow for debt, mortgage, or lease obligations could cause defaults and cross-defaults, risking loss of facilities or foreclosures; founders’ personal guarantees on certain leases increase default risk to them; we may require additional capital to fund operations and growth, and such capital may be unavailable or available only on unfavorable terms; we operate in a highly regulated industry, and noncompliance or regulatory change could require significant expenditures or operational changes; our founders’ majority ownership and related governance arrangements concentrate control, limiting your ability to influence corporate matters, including board composition, share issuances, amendments, and major transactions; as a “controlled company” under NYSE rules, we may rely on governance exemptions, and you may not have the same protections as stockholders of companies subject to those requirements, and the other important factors discussed in Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K filed for the year ended December 31, 2024. The forward-looking statements in this Quarterly Report on Form 10-Q are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, 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 investors are cautioned not to unduly rely upon these statements.

You should read this Quarterly Report on Form 10-Q and the documents that we reference in this Quarterly Report on Form 10-Q and have filed as exhibits to this Quarterly Report on Form 10-Q with the understanding that our actual future results, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained in this Quarterly Report on Form 10-Q, whether as a result of any new information, future events or otherwise.

As used in this Quarterly Report on Form 10-Q, unless otherwise stated or the context requires otherwise, the terms “PACS Group,” the “Company,” “we,” “us,” and “our” refer to PACS Group, Inc. and its consolidated subsidiaries.

Part I

Item 1. Financial Statements

PACS GROUP, INC. AND SUBSIDIARIES **CONDENSED CONSOLIDATED BALANCE SHEETS** *(dollars in thousands, except for share and per share values)*

	(unaudited) March 31, 2025	December 31, 2024
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 287,512	\$ 157,674
Accounts receivable, net	680,676	641,775
Other receivables	61,025	74,746
Prepaid expenses and other current assets	52,191	64,066
Total Current Assets	1,081,404	938,261
Property and equipment, net	998,541	990,580
Operating lease right-of-use assets	3,075,507	2,994,519
Insurance subsidiary deposits and investments	67,910	66,258
Escrow funds	21,810	25,122
Goodwill and other indefinite-lived assets	67,061	67,061
Other assets	182,167	161,108
Total Assets	\$ 5,494,400	\$ 5,242,909
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	\$ 198,617	\$ 175,062
Accrued payroll and benefits	210,215	146,177
Current operating lease liabilities	141,620	136,232
Current maturities of long-term debt	12,959	14,852
Current portion of accrued self-insurance liabilities	75,464	75,966
Line of credit	142,000	142,000
Refund liability	162,154	145,795
Other accrued expenses	164,384	142,348
Total Current Liabilities	1,107,413	978,432
Long-term operating lease liabilities	3,024,140	2,935,773
Long-term debt, less current maturities, net of deferred financing fees	249,089	250,984
Accrued self-insurance liabilities, less current portion	186,705	164,979
Other liabilities	170,780	197,050
Total Liabilities	\$ 4,738,127	\$ 4,527,218
Commitments and contingencies (Note 14)		
Equity:		
PACS Group, Inc. stockholders' equity:		
Common stock: \$0.001 par value; 1,250,000,000 shares authorized, 155,177,511 shares issued and outstanding as of March 31, 2025 and December 31, 2024	155	155
Additional paid-in capital	603,565	591,363
Retained earnings	146,508	118,036
Total stockholders' equity	750,228	709,554
Noncontrolling interest in subsidiary	6,045	6,137
Total Equity	\$ 756,273	\$ 715,691
Total Liabilities and Equity	\$ 5,494,400	\$ 5,242,909

See accompanying notes to unaudited condensed consolidated financial statements.

PACS GROUP, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(dollars in thousands, except for share and per share values)

	Three Months Ended March 31,	
	2025	2024 (as restated)
Revenue		
Patient and resident service revenue	\$ 1,276,985	\$ 919,413
Other revenues	165	423
Total Revenue	\$ 1,277,150	\$ 919,836
Operating Expenses		
Cost of services	1,023,791	735,992
Rent - cost of services	93,795	63,513
General and administrative expense	98,719	46,906
Depreciation and amortization	12,705	8,116
Total Operating Expenses	\$ 1,229,010	\$ 854,527
Operating income	48,140	65,309
Other (Expense) Income		
Interest expense	(6,904)	(16,096)
Gain on lease termination	—	8,046
Other income, net	1,494	440
Total Other Expense, Net	\$ (5,410)	\$ (7,610)
Income before provision for income taxes	42,730	57,699
Provision for income taxes	14,350	22,880
Net Income	\$ 28,380	\$ 34,819
Less:		
Net (loss) income attributable to noncontrolling interest	(92)	2
Net Income Attributable To PACS Group, Inc.	\$ 28,472	\$ 34,817
Net Income Per Share Attributable To PACS Group, Inc.		
Basic	\$ 0.18	\$ 0.27
Diluted	\$ 0.17	\$ 0.27
Weighted-Average Common Shares Outstanding		
Basic	155,177,511	128,723,386
Diluted	166,415,616	128,723,386
Other Comprehensive Income, Net of Tax:		
Unrealized gain on available-for-sale debt securities, net of tax	\$ —	\$ 201
Total other comprehensive income	\$ —	\$ 201
Comprehensive Income	\$ 28,380	\$ 35,020
Less:		
Comprehensive (loss) income attributable to noncontrolling interest	(92)	2
Comprehensive Income Attributable To PACS Group, Inc.	\$ 28,472	\$ 35,018

See accompanying notes to unaudited condensed consolidated financial statements.

PACS GROUP, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(dollars in thousands, except for share and per share values)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Noncontrolling Interest	Accumulated Other Comprehensive Income	Total
	Shares	Amount					
Balance January 1, 2025	155,177,511	\$ 155	\$ 591,363	\$ 118,036	\$ 6,137	\$ —	\$ 715,691
Employee stock-based compensation	—	—	12,202	—	—	—	12,202
Net loss attributable to noncontrolling interest	—	—	—	—	(92)	—	(92)
Net income attributable to PACS Group, Inc.	—	—	—	28,472	—	—	28,472
Balance March 31, 2025	<u>155,177,511</u>	<u>\$ 155</u>	<u>\$ 603,565</u>	<u>\$ 146,508</u>	<u>\$ 6,045</u>	<u>\$ —</u>	<u>\$ 756,273</u>

	Common Stock		Additional Paid-In Capital	Retained Earnings	Noncontrolling Interest	Accumulated Other Comprehensive Income	Total
	Shares	Amount					
Balance January 1, 2024	128,723,386	\$ 129	—	\$ 95,997	\$ 5,600	\$ —	\$ 101,726
Dividends on common stock (\$0.1358 per share)	—	—	—	(17,474)	—	—	(17,474)
Other comprehensive income	—	—	—	—	—	201	201
Net income attributable to noncontrolling interest	—	—	—	—	2	—	2
Net income attributable to PACS Group, Inc. (as restated)	—	—	—	34,817	—	—	34,817
Balance March 31, 2024 (as restated)	<u>128,723,386</u>	<u>\$ 129</u>	<u>\$ —</u>	<u>\$ 113,340</u>	<u>\$ 5,602</u>	<u>\$ 201</u>	<u>\$ 119,272</u>

See accompanying notes to unaudited condensed consolidated financial statements.

PACS GROUP, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Three Months Ended March 31,	
	2025	2024 (as restated)
Cash flows from operating activities		
Net income	\$ 28,380	\$ 34,819
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	12,705	8,116
Amortization of deferred financing fees	787	775
Stock-based compensation	12,202	—
Gain on insurance subsidiary deposits and investments	(1,652)	—
Deferred taxes	(19,580)	3,950
Noncash lease expense	12,703	6,863
Other noncash operating activities, net	298	223
Change in operating assets and liabilities		
Accounts receivable, net	(38,901)	(63,992)
Other receivables	13,721	(13,755)
Prepaid expenses and other current assets	11,800	(5,009)
Other assets	(3,833)	(1,802)
Escrow funds	3,312	(5,807)
Operating lease liabilities	64	(8,234)
Accounts payable	20,606	13,938
Accrued payroll and benefits	61,446	51,577
Accrued self-insurance liabilities	21,224	10,399
Refund liability	16,359	3,947
Other accrued expenses	22,280	1,304
Other liabilities	(23,677)	21,439
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 150,244	\$ 58,751
Cash flows from investing activities		
Investment in partnerships	\$ —	\$ (5,081)
Non-operating distributions from investment in partnership	1,301	673
Purchase of available-for-sale securities	—	(25,000)
Acquisition of facilities	—	(78,500)
Purchase of property and equipment	(17,717)	(10,761)
NET CASH USED IN INVESTING ACTIVITIES	\$ (16,416)	\$ (118,669)
Cash flows from financing activities		
Borrowing on line of credit, net of deferred financing fees	\$ —	\$ 117,000
Payments on line of credit	—	(100,000)
Borrowings of long-term debt, net of deferred financing fees	—	39,786
Payments on long-term debt	(4,065)	(4,823)
Dividends on common stock	—	(17,474)
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES	\$ (4,065)	\$ 34,489
Net change in cash	129,763	(25,429)
Cash, cash equivalents, and restricted cash - beginning of period	160,842	118,704
Cash, cash equivalents, and restricted cash - end of period	<u>\$ 290,605</u>	<u>\$ 93,275</u>
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	\$ 8,085	\$ 16,343
Income taxes	\$ 357	\$ —
Non-cash financing and investing activity		
Accrued capital expenditures	\$ 6,665	\$ 4,112
Assets acquired in operation expansions through settlement of notes receivable	\$ —	\$ 500

See accompanying notes to unaudited condensed consolidated financial statements.

PACS GROUP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except for share and per share values)

NOTE 1. ORGANIZATION AND NATURE OF BUSINESS

PACS Group, Inc. (PACS Group or the Company) 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 March 31, 2025, PACS Group subsidiaries operated 315 health care facilities in the states of Alaska, Arizona, California, Colorado, Idaho, Kansas, Kentucky, Missouri, Montana, Nevada, Ohio, Pennsylvania, Oregon, South Carolina, Tennessee, Texas, and Washington. PACS Group subsidiaries operated 32,309 skilled nursing beds and 2,244 assisted living beds as of that date. As of March 31, 2025, PACS Group subsidiaries operated 271 facilities under long-term lease arrangements and had options to purchase 37 of those facilities.

PACS Group 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 44 properties which are operated and managed by applicable PACS Group subsidiaries. PACS Group subsidiaries also have equity method investments in partnerships that own the underlying real estate and related improvements of 49 post-acute care facilities that are operated by other PACS Group subsidiaries and three post-acute care facilities that are operated by non-affiliated operating entities.

Providence Administrative Consulting Services, Inc., 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.

NOTE 2. RESTATEMENT OF PREVIOUSLY ISSUED QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

The Company has restated herein its condensed combined/consolidated financial statements as of and for the three months ended March 31, 2024. The Company has also restated impacted amounts within the accompanying notes to the condensed consolidated financial statements, as applicable. The restatement of the condensed combined/consolidated financial statements as of and for the three months ended March 31, 2024 was previously reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2024.

In connection with the restatement, the Company adjusted revenue. Additional financial statement lines were impacted by the restatement on the unaudited condensed combined/consolidated balance sheets and statements of income and comprehensive income for the restated period related to the associated claw-back of certain bonuses and any related tax impact of the adjustments. The financial statement line items impacted include the following:

- Accounts receivable, net
- Refund liability
- Other liabilities
- Patient and resident service revenue
- Provision for income taxes

In addition to matters that were the subject of the Independent Investigation, the Company determined that certain of its leases were incorrectly classified as operating leases instead of finance leases. The Company corrected this classification as part of the restatement.

The following tables present the unaudited condensed combined/consolidated balance sheets, statements of income (loss) and comprehensive income (loss), statements of stockholders' equity, and statements of cash flows as previously reported, the restatement adjustments, and the unaudited condensed combined/consolidated balance sheets for the quarter ended March 31, 2024 and the unaudited statements of income (loss) and comprehensive income (loss), statements of stockholders' equity, and statements of cash flows as adjusted for the quarter ended March 31, 2024.

PACS GROUP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except for share and per share values)

Restatement adjustments are reflected as follows:

- Related to Medicare Part B revenue are labeled “MPB”
- Related to lease classification are labeled “LEA”

In those cases where a financial statement line has been adjusted due to more than one category, a footnote reference detailing the categories has been added.

PACS GROUP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except for share and per share values)

PACS GROUP, INC. AND SUBSIDIARIES
RESTATED UNAUDITED CONDENSED COMBINED/CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except for share and per share values)

March 31, 2024				
	As Previously Reported	Restatement Adjustments	Category Reference	As Restated
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 81,213	\$ —		\$ 81,213
Accounts receivable, net	622,737	(10,938)	MPB	611,799
Other receivables	66,014	—		66,014
Prepaid expenses and other current assets	61,761	—		61,761
Total Current Assets	831,725	(10,938)		820,787
Property and equipment, net	660,157	6,745	LEA	666,902
Operating lease right-of-use assets	2,175,169	(1,614)	LEA	2,173,555
Insurance subsidiary deposits and investments	25,201	—		25,201
Escrow funds	21,456	—		21,456
Goodwill and other indefinite-lived assets	65,291	—		65,291
Other assets	87,329	—		87,329
Total Assets	\$ 3,866,328	\$ (5,807)		\$ 3,860,521
LIABILITIES AND EQUITY				
Current Liabilities:				
Accounts payable	\$ 157,000	\$ —		\$ 157,000
Accrued payroll and benefits	143,811	—		143,811
Current operating lease liabilities	113,617	(113)	LEA	113,504
Current maturities of long-term debt	16,837	—		16,837
Current portion of accrued self-insurance liabilities	29,210	—		29,210
Refund liability	—	3,947	MPB	3,947
Other accrued expenses	71,073	—		71,073
Total Current Liabilities	531,548	3,834		535,382
Long-term operating lease liabilities	2,123,865	(1,562)	LEA	2,122,303
Accrued benefits, less current portion	6,738	—		6,738
Lines of credit	537,000	—		537,000
Long-term debt, less current maturities, net of deferred financing fees	230,855	—		230,855
Accrued self-insurance liabilities, less current portion	154,892	—		154,892
Other liabilities	147,837	6,242	MPB, LEA ⁽¹⁾	154,079
Total Liabilities	\$ 3,732,735	\$ 8,514		\$ 3,741,249
Commitments and contingencies				
Equity:				
PACS Group, Inc. stockholders' equity:				
Common stock -64,361,693,000 shares authorized, \$0.001 par value, 128,723,386 shares issued and outstanding as of March 31, 2024	129	—		129
Accumulated other comprehensive income	201	—		201
Retained earnings	127,661	(14,321)		113,340
Total stockholders' equity	127,991	(14,321)		113,670
Noncontrolling interest in subsidiary	5,602	—		5,602
Total Equity	\$ 133,593	\$ (14,321)		\$ 119,272
Total Liabilities and Equity	\$ 3,866,328	\$ (5,807)		\$ 3,860,521

(1) MPB: \$(1,035), LEA: \$7,277

PACS GROUP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except for share and per share values)

PACS GROUP, INC. AND SUBSIDIARIES
RESTATED UNAUDITED CONDENSED COMBINED/CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(dollars in thousands, except for share and per share values)

	Three Months Ended March 31, 2024			
	As Previously Reported	Restatement Adjustments	Category Reference	As Restated
Revenue				
Patient and resident service revenue	\$ 934,298	\$ (14,885)	MPB	\$ 919,413
Additional funding	—	—		—
Other revenues	423	—		423
Total Revenue	\$ 934,721	\$ (14,885)		\$ 919,836
Operating Expenses				
Cost of services	735,992	—		735,992
Rent - cost of services	63,961	(448)	LEA	63,513
General and administrative expense	46,906	—		46,906
Depreciation and amortization	7,902	214	LEA	8,116
Total Operating Expenses	\$ 854,761	\$ (234)		\$ 854,527
Operating Income	\$ 79,960	\$ (14,651)		\$ 65,309
Other (Expense) Income				
Interest expense	(15,391)	(705)	LEA	(16,096)
Gain on lease termination	8,046	—		8,046
Other income, net	440	—		440
Total Other Expense, net	\$ (6,905)	\$ (705)		\$ (7,610)
Income before provision for income taxes	73,055	(15,356)		57,699
Provision for income taxes	(23,915)	1,035		(22,880)
Net Income	\$ 49,140	\$ (14,321)		\$ 34,819
Less:				
Net income attributable to noncontrolling interest	2	—		2
Net income attributable to PACS Group, Inc.	\$ 49,138	\$ (14,321)		\$ 34,817
Net income per common share attributable to PACS Group, Inc.				
Basic and diluted	\$ 0.38	\$ (0.11)		\$ 0.27
Weighted-average shares outstanding				
Basic and diluted	128,723,386	—		128,723,386
Other comprehensive income, net of tax:				
Unrealized gain on available-for-sale debt securities, net of tax	\$ 201	\$ —		\$ 201
Total other comprehensive income	201	—		201
Comprehensive income	\$ 49,341	\$ (14,321)		\$ 35,020
Less:				
Comprehensive income attributable to noncontrolling interest	2	—		2
Comprehensive income attributable to PACS Group, Inc.	\$ 49,339	\$ (14,321)		\$ 35,018

PACS GROUP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except for share and per share values)

PACS GROUP, INC. AND SUBSIDIARIES
RESTATED UNAUDITED CONDENSED COMBINED/CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(dollars in thousands, except for share and per share values)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Noncontrolling Interest	Accumulated Other Comprehensive Income	Total
	Shares	Amount					
Balance January 1, 2024	128,723,386	\$ 129	\$ —	\$ 95,997	\$ 5,600	\$ —	\$ 101,726
Dividends on common stock (\$0.1358 per share)	—	—	—	(17,474)	—	—	(17,474)
Other comprehensive income	—	—	—	—	—	201	201
Net income attributable to noncontrolling interest	—	—	—	—	2	—	2
Net income attributable to PACS Group, Inc. ⁽¹⁾	—	—	—	49,138	—	—	49,138
<u>Restatement Adjustments:</u>							
Net income attributable to PACS Group, Inc. ⁽¹⁾	—	—	—	(14,321)	—	—	(14,321)
Balance March 31, 2024 (as restated)	<u>128,723,386</u>	<u>\$ 129</u>	<u>\$ —</u>	<u>\$ 113,340</u>	<u>\$ 5,602</u>	<u>\$ 201</u>	<u>\$ 119,272</u>

(1) Restated net income attributable to PACS Group, Inc. for the three months ended March 31, 2024 is the sum of the previously reported \$ 49,138 and the restatement adjustment of \$(14,321): \$34,817

PACS GROUP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except for share and per share values)

PACS GROUP, INC. AND SUBSIDIARIES
RESTATED UNAUDITED CONDENSED COMBINED/CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Three Months Ended March 31, 2024		
	As Previously Reported	Restatement Adjustments	As Restated
Cash flows from operating activities:			
Net income	\$ 49,140	\$ (14,321)	\$ 34,819
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	7,902	214	8,116
Amortization and write-off of deferred financing fees	775	—	775
Loss on disposition of property and equipment	343	—	343
Gain on investment in partnership	(120)	—	(120)
Deferred taxes	4,985	(1,035)	3,950
Noncash lease expense	7,262	(399)	6,863
Change in operating assets and liabilities			
Accounts receivable, net	(74,930)	10,938	(63,992)
Other receivables	(13,755)	—	(13,755)
Prepaid expenses and other current assets	(5,009)	—	(5,009)
Other assets	(1,802)	—	(1,802)
Escrow funds	(5,807)	—	(5,807)
Operating lease obligations	(8,572)	338	(8,234)
Accounts payable	13,938	—	13,938
Accrued payroll and benefits	51,577	—	51,577
Accrued self-insurance liabilities	10,399	—	10,399
Refund liability	—	3,947	3,947
Other accrued expenses	1,340	(36)	1,304
Other liabilities	21,121	318	21,439
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 58,787	\$ (36)	\$ 58,751
Cash flows from investing activities			
Investment in partnership	\$ (5,081)	\$ —	\$ (5,081)
Non-operating distributions from investment in partnership	673	—	673
Purchase of investments	(25,000)	—	(25,000)
Acquisition of facilities	(78,500)	—	(78,500)
Purchase of property and equipment	(10,761)	—	(10,761)
NET CASH USED IN INVESTING ACTIVITIES	\$ (118,669)	\$ —	\$ (118,669)
Cash flows from financing activities			
Borrowing on lines-of-credit, net of deferred financing fees	\$ 117,000	\$ —	\$ 117,000
Payments on lines-of-credit	(100,000)	—	(100,000)
Dividends on common stock	(17,474)	—	(17,474)
Borrowings of long-term debt, net of deferred financing fees	39,786	—	39,786
Payments on long-term debt	(4,859)	36	(4,823)
NET CASH PROVIDED BY FINANCING ACTIVITIES	\$ 34,453	\$ 36	\$ 34,489
Net change in cash	(25,429)	—	(25,429)
Cash, cash equivalents, and restricted cash - beginning of period	118,704	—	118,704
Cash, cash equivalents, and restricted cash - end of period	<u>\$ 93,275</u>	<u>\$ —</u>	<u>\$ 93,275</u>
Supplemental disclosures of cash flow information			
Cash paid during the period for:			
Interest	\$ 15,638	\$ 705	\$ 16,343
Income taxes	\$ —	\$ —	\$ —
Non-cash financing and investing activity			
Accrued capital expenditures	\$ 4,112	\$ —	\$ 4,112
Assets acquired in operation expansions in exchange for notes payable	\$ —	\$ —	\$ —
Assets acquired in operation expansions through settlement of notes receivable	\$ 500	\$ —	\$ 500

PACS GROUP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except for share and per share values)

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The condensed 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 condensed consolidated balance sheets and the amount of condensed consolidated income that is attributable to the Company and the noncontrolling interest in its condensed consolidated statements of income and comprehensive income.

The accompanying condensed consolidated financial statements as of March 31, 2025 and for the three months ended March 31, 2025 and 2024 are unaudited. The December 31, 2024 balance sheet data was derived from audited financial statements; however, the accompanying notes to the condensed consolidated financial statements do not include all of the annual disclosures required under U.S. GAAP and should be read in conjunction with the audited combined/consolidated financial statements included in the Company's Annual Report on Form 10-K, File No. 001-42011 (Annual Report) filed with the Securities and Exchange Commission (SEC). Management believes that the condensed consolidated financial statements reflect all adjustments which are of a normal and recurring nature necessary to present fairly the Company's financial position and results of operations in all material respects. The results of operations presented in the condensed consolidated financial statements are not necessarily representative of operations for the entire year.

Use of Estimates

The preparation of the condensed 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 condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates in the Company's condensed consolidated financial statements include those related to revenue, acquired property, business combinations, 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 materially 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 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 PLGL claims. See Note 7, "Fair Value Measurement", for information on the use of restricted cash in other assets to purchase investments in the period.

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.

PACS GROUP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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The following presents all cash and cash equivalents and restricted cash on the condensed consolidated balance sheets and reconcile to total cash included on the condensed consolidated statements of cash flows as of March 31, 2025 and December 31, 2024:

	March 31, 2025	December 31, 2024
Cash and cash equivalents	\$ 287,512	\$ 157,674
Restricted cash (included in prepaid expenses and other current assets)	3,093	3,168
Total cash, cash equivalents, and restricted cash	\$ 290,605	\$ 160,842

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 accounts.

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 Credit Losses

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 March 31, 2025 and December 31, 2024, the allowance for credit losses was immaterial to the condensed 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 with those payors. 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 condensed consolidated statements of income and comprehensive income.

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

PACS GROUP, INC. AND SUBSIDIARIES
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computed using the straight-line method over the estimated useful life of the property and equipment. The following is a summary of the estimated useful 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 years to 15 years
- Furniture and equipment - minimum of 3 years to a maximum of 15 years

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 is included in other income, net.

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) upon execution of each respective agreement.

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 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 certain at the commencement of the lease. 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 condensed consolidated statements of income and comprehensive 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.

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.

The Company's real estate leases generally have initial lease terms often 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, including contractual rent escalators.

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) Topic 805, *Business Combinations* (ASC 805). Acquisitions are included in the condensed consolidated financial statements from their respective acquisition dates. Assets acquired and liabilities assumed, if any, are measured at fair value on the acquisition date. 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.

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.

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

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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 costs to obtain 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

The Company's non-financial assets, which include goodwill, intangible assets, property and equipment and right-of-use assets, are not required to be measured at fair value on a recurring basis. In accordance with FASB 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 three months ended March 31, 2025 and 2024.

Accrued Risk Reserves

The Company is principally self-insured for risks related to PLGL claims. Accrued risk reserves primarily represent the accrual for risks associated with 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 its PLGL claims is to use an external actuary to assist management in estimating the Company's exposure for claims obligation (for both asserted and unasserted claims).

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Investment in Partnerships

Investments in various partnerships, 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, including amortization of certain basis differences, in the other income, net line in the Company's condensed consolidated statements of income. Any difference between the carrying amount of the equity method investment on the Company's condensed consolidated balance sheet and the underlying equity in net assets on the investee's balance sheet results in a basis difference which is adjusted as the related underlying assets are depreciated, amortized, or sold and the liabilities are settled. The investment 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's maximum exposure to loss on these equity method investments is the total invested capital. These investments are included in other assets in the Company's combined/consolidated balance sheets. The Company evaluates its investment, including cost in excess of book value (equity method goodwill) for impairment whenever indicators of impairment exist. No indicators of impairment existed during the three months ended March 31, 2025 and 2024.

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 an entity operated by the Company upon completion which occurred in the final quarter of 2024. 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 condensed consolidated balance sheets since these interests are not redeemable. The Company presents net (loss) income attributable to noncontrolling interest and net income attributable to PACS Group, Inc. in its condensed consolidated statements of income and comprehensive income. The carrying amount of the noncontrolling interest is adjusted based on an allocation of subsidiary earnings based on ownership interest.

Advertising

Advertising costs are expensed as incurred. Advertising expenses included in the Company's condensed consolidated statements of income and comprehensive income were \$2,305 and \$2,030 for the three months ended March 31, 2025 and 2024, respectively.

Income Taxes

The Company utilizes FASB ASC Topic 740, *Income Taxes* (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 11, "Income Taxes", 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.

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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. 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 21% and 36% of total accounts receivable, respectively, at March 31, 2025 and 18% and 39% of total accounts receivable, respectively, at December 31, 2024. 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 credit losses on any accounts receivable proving uncollectible, and continually monitors and adjusts these allowances as necessary.

The Company's operating subsidiaries, excluding the subsidiaries that exclusively operate assisted living and independent living facilities, have all of their skilled nursing beds designated for care of patients under federal Medicare and/or state Medicaid programs. Approximately 49% of the Company's skilled nursing beds are located in California.

Stock-based Compensation

The Company measures and recognizes compensation expense for all stock-based payment awards made to employees and directors based on estimated fair values, ratably over the requisite service period of the award. Net income reflects the recognition of the fair value of all restricted stock unit awards issued, the amount of which is based upon the number of grants and other variables. The Company accounts for award forfeitures as they occur.

Comprehensive Income

Comprehensive income consists of gains and losses affecting stockholders' equity that, under U.S. GAAP, are excluded from net income. There were no components of comprehensive income for the three months ended March 31, 2025. For the three months ended March 31, 2024, comprehensive income includes unrealized gains and losses on the Company's available-for-sale debt securities.

Commitments and Contingencies

The Company has been, is currently, and expects in the future to be involved in claims, lawsuits, and regulatory and other government audits, investigations and proceedings arising in the ordinary course of business, some of which may involve material amounts. The defense and resolution of these claims, lawsuits, and regulatory and other government audits, investigations and proceedings may require the Company to incur significant expense. Loss contingency provisions are recorded for probable and estimable losses at the Company's best estimate of a loss or, when a best estimate cannot be made, at the Company's estimate of the minimum loss. These estimates are often developed prior to knowing the amount of the ultimate loss, require the application of considerable judgment, and are refined as additional information becomes known. Accordingly, the Company is often initially unable to develop a best estimate of loss and therefore, the estimated minimum loss amount, which could be zero, is recorded; then, as information becomes known, the minimum loss amount is updated, as appropriate. Occasionally, a minimum or best estimate amount may be increased or decreased when events result in a changed expectation.

Recent Accounting Standards Issued But Not Yet Adopted by the Company

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. This guidance is effective for annual periods beginning after December 15, 2024, which will be the Company's fiscal year 2025, with early adoption permitted. The Company is currently evaluating the impact this guidance will have on its Annual Report.

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In November 2024, the FASB issued ASU 2024-03, *Disaggregation of Income Statement Expenses*, which requires the Company to disaggregate key expense categories such as employee compensation, depreciation, and intangible asset amortization within its financial statements. This guidance is effective for annual periods beginning after December 15, 2026, which will be the Company's fiscal year 2027, and interim reporting periods beginning after December 15, 2027, which will be the Company's fiscal year 2028. Early adoption is permitted. The Company is currently evaluating the impact this guidance will have on its Quarterly and Annual Reports.

NOTE 4. BUSINESS SEGMENTS

The Company has one reportable segment. 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. The Company does not distinguish between markets or regions for the purpose of allocating resources. This structure reflects its current operational and financial management and provides the best structure to maximize the quality of care and investment strategy provided, while maintaining financial discipline. The segment's measure of profit or loss is net income which is also reported on the condensed consolidated statements of income and comprehensive income. Net income is also used to monitor budget versus actual results.

As the Company's single reportable segment is at the consolidated level, the accounting policies of the reportable segment are the same as those disclosed in Note 3, "Summary of Significant Accounting Policies". The Company's CODM does not review segment assets at a different asset level or category than that disclosed in its condensed consolidated balance sheets and therefore assets by segment are not disclosed below.

The following table sets forth financial information for the segment:

	Three months ended March 31,	
	2025	2024 (as restated)
Revenue	\$ 1,277,150	\$ 919,836
Less:		
Labor expense ⁽¹⁾	677,020	497,402
Depreciation and amortization	12,705	8,116
Interest expense	6,904	16,096
Equity in the net loss (income) of investees accounted for under the equity method	298	(120)
Provision for income taxes	14,350	22,880
Other segment items ⁽²⁾	537,493	340,643
Segment net income	<u>\$ 28,380</u>	<u>\$ 34,819</u>

(1) Labor expense includes nursing and departmental salaries and wages, payroll taxes and benefits, and agency staffing expenses.

(2) Other segment items included in segment net income include cost of services except for labor cost of services, rent - cost of services, general and administrative expense except for labor general and administrative expense, gain on lease termination, and other (expense) income except for interest expense, net, equity in the net income of investees accounted for under the equity method.

NOTE 5. 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.

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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. 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.

The Company maintains a refund liability for consideration collected related to revenue that is not probable that a significant revenue reversal will not occur. The Company expects to refund some or all of that consideration back to the payor. The balance of the refund liability was \$162,154 and \$145,795 as of March 31, 2025 and December 31, 2024, respectively, and is presented within current liabilities on the Company's condensed consolidated balance sheets.

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:

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 34.7% and 34.6% of the Company's condensed consolidated net patient and resident revenue for the three months ended March 31, 2025 and 2024, respectively.

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 established daily reimbursement rate for eligible stays. The rate is adjusted periodically. The final settlement is determined after submission of an annual cost report and audits thereof by Medicaid. Revenue from the Medicaid program amounted to 40.3% and 39.4% of the Company's condensed consolidated net patient and resident revenue for the three months ended March 31, 2025 and 2024, 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 25.0% and 26.0% of the Company's condensed consolidated net patient and resident revenue for the three months ended March 31, 2025 and 2024, respectively.

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 condensed consolidated balance sheets are contract balances, comprised of billed accounts receivable and unbilled receivables, which are the result of differences between the timing of revenue recognition and

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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 or contract assets as of March 31, 2025 and December 31, 2024.

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 audits 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 information becomes available, or as years are settled or are no longer subject to such audits or other reviews. Historically, differences between estimated settlements and actual settlements have been immaterial.

The Company disaggregates revenue from contracts with its patients by payors. The Company determined 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 three months ended March 31, 2025 and 2024 are as follows:

	Three Months Ended March 31,			
	2025	% of Revenue	2024 (as restated)	% of Revenue (as restated)
Medicare	\$ 443,476	34.7 %	\$ 318,548	34.6 %
Medicaid	515,004	40.3 %	362,453	39.4 %
Managed care	238,172	18.7 %	184,483	20.1 %
Private and other	80,333	6.3 %	53,929	5.9 %
Total patient and resident service revenue	\$ 1,276,985	100.0 %	\$ 919,413	100.0 %

Coronavirus Aid, Relief, and Economic Security (CARES) Act

The CARES Act of 2020 provided for refundable payroll tax credits known as the Employee Retention Tax Credit, 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. Due to uncertainty related to meeting the necessary qualifications, the Company recorded a reserve against the entire amount claimed. As of both March 31, 2025 and December 31, 2024, the Company has recorded \$21,917, respectively, in other liabilities to reflect the cash already received related to these credits which may need to be returned and potential penalties.

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NOTE 6. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

	March 31, 2025	December 31, 2024
Buildings and improvements	\$ 660,533	\$ 654,975
Leasehold improvements	83,298	79,440
Furniture, fixtures, and other	111,656	107,896
Construction in process	31,154	23,952
Land	84,774	84,774
Finance lease right-of-use assets	145,262	145,262
	1,116,677	1,096,299
Less: accumulated depreciation and amortization	(118,136)	(105,719)
Property and equipment, net	\$ 998,541	\$ 990,580

The Company did not record any impairment charges for the three months ended March 31, 2025, and 2024.

See Note 13, “Operation Expansions”, for information on expansions during the three months ended March 31, 2025.

NOTE 7. FAIR VALUE MEASUREMENT

The Company's financial assets include insurance subsidiary deposits and highly liquid investments which are held by the consolidated captive insurance entity and are designated to support long-term insurance subsidiary liabilities and are recorded at fair value of \$67,910 and \$66,258 as of March 31, 2025 and December 31, 2024, respectively. The fair value of the insurance subsidiary deposits and investments include net unrealized gains of \$2,036 and \$384 as of March 31, 2025 and December 31, 2024, respectively. Gains and losses on investments are recorded within other expense, net for the three months ended March 31, 2025 and in other comprehensive income for the three months ended March 31, 2024. Insurance subsidiary deposits and investments consist of holdings in investment grade bond mutual funds and are derived using Level 2 inputs. These assets are recorded in insurance subsidiary deposits and investments on our condensed consolidated balance sheets and are classified as available-for-sale equity securities. These mutual funds are primarily valued utilizing calculations which incorporate observable inputs such as yield, maturity and credit quality.

NOTE 8. INVESTMENT IN PARTNERSHIPS

As of March 31, 2025 and December 31, 2024, the Company held \$35,568 and \$37,167, respectively, in multiple equity investments referred to as partnerships. These operations were formed to develop, own, and lease health care facilities. Some of the partnerships hold options to purchase the related real estate property holdings. Each of the entities is governed by a managing member who makes the significant decisions that impact the economic performance of the entity. The Company is not the managing member of any of the entities in which it is invested.

The Company holds a 50.0% ownership interest in the entity BRFS SNF Ventures V, LLC (BRFS). As of March 31, 2025, this investment held three post-acute care facilities that were operated by non-affiliated operating entities. BRFS is a variable interest entity (VIE), however the Company does not consolidate the entity as it does not have the power to direct the activities that most significantly impact its economic performance. Therefore, the Company only accounts for its specific interest in the investment. The investment was \$15,514 and \$15,528 on the Company's balance sheets as of March 31, 2025 and December 31, 2024, respectively. On August 1, 2025, the Company took over the operations of these three post-acute care facilities.

The Company holds a 25.8% ownership interest in the entity Next Saddle Investors, LLC (Saddle). Saddle acquired the operations for all 53 facilities included in the 2024 Prestige acquisition and subsequently assigned them to the Company. Saddle also acquired the underlying real estate for 37 of the facilities from the Prestige acquisition, which it leases to the Company. The Company determined the Saddle manager to be a de facto agent to the Company under FASB ASC Topic 810, *Consolidation* (ASC 810). Saddle is a VIE; however, the Saddle manager is the primary beneficiary and

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therefore the Company does not consolidate the entity. The investment was \$7,659 and \$8,536 on the Company's balance sheets as of March 31, 2025 and December 31, 2024, respectively.

All of the Company's other equity investments are individually immaterial with the largest investment of \$7,545 in an entity representing an ownership of 49.0%. Loss (gain) from the investment in partnerships was \$298 and \$(120) for the three months ended March 31, 2025 and 2024, respectively.

NOTE 9. CREDIT FACILITIES

The Company maintains a revolving credit facility between the Company and certain of its subsidiaries, and Truist Bank as administrative agent (Administrative Agent), and a syndicate of lenders (the Amended and Restated Credit Facility). The Amended and Restated Credit Facility provides for a Revolving Commitment (as defined in the Amended and Restated Credit Facility) of up to \$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 Credit Facility bear interest at the option of the Company equal to either (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 was defined in a customary manner for credit facilities of this type) 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 terms of the credit agreement. In addition, the Company will pay a commitment fee ranging from 0.25% to 0.45% per annum on the unused portion of the Revolving Commitment, depending on the same debt to income ratio.

The credit agreement 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 Credit Facility, the Company must maintain a debt-to-income ratio of not greater than 3.00:1.00. The Amended and Restated Credit Facility also requires that the Company maintain a minimum interest/rent coverage ratio of not less than 1.10:1.00.

On May 16, 2024, the Company entered into an amendment to the Amended and Restated Credit Facility that, among other things, waived an event of default that had occurred and was then continuing under the Amended and Restated Credit Facility and modified the affirmative covenants thereunder requiring the joinder of certain subsidiaries of the Company to the Amended and Restated Credit Facility, as further set forth therein. On November 14, 2024, the Company entered into another amendment to the Amended and Restated Credit Facility that, among other things, extended the deadline for the delivery of unaudited quarterly financial statements for the fiscal quarter ended September 30, 2024. On March 27, 2025, and May 29, 2025, the Company entered into further amendments to the Amended and Restated Credit Facility that, among other things, extended the deadline for delivery of audited annual financial statements for the fiscal year ended December 31, 2024. The May 29, 2025 amendment also supplemented the Amended and Restated Credit Agreement's financial covenants requiring the Company to maintain unrestricted cash and certain permitted investments of at least \$100,000 until the Company delivers audited financial statements for the fiscal year ended December 31, 2024 (the "Liquidity Requirement").

On July 24, 2025 and August 13, 2025 the Company entered into two separate forbearance agreements with the Administrative Agent and the lenders, pursuant to which the lenders agreed to temporarily forbear from exercising remedies under the Amended and Restated Credit Facility with respect to certain technical events of default, including without limitation matters relating to inaccuracies in certain representations and warranties made, which inaccuracies also triggered an event of default under the Third Consolidated Master Lease, dated June 30, 2023 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Omega Master Lease"), which in turn triggered an additional event of default under the Amended and Restated Credit Facility. In addition, a separate representation and warranty event of default occurred under the Omega Master Lease, which triggered an event of default under the Amended and Restated Credit Agreement (all such technical events of default under the Amended and Restated Credit Facility, the "Initial Technical Events of Default"). The August 13, 2025 Forbearance Agreement and Fifth Amendment to the Credit Agreement required that the Liquidity Requirement remain in place for the entirety of the forbearance period and further extended the delivery period with respect to the fiscal year 2024 financial statements. The

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forbearance period was scheduled to run until October 31, 2025, subject to extension by the Administrative Agent through November 30, 2025, or by the Required Lenders (as defined in the Amended and Restated Credit Agreement) thereafter, or earlier termination upon the occurrence of certain specified events of default.

On October 21, 2025, the Company entered into a third forbearance agreement (the “October Forbearance Agreement”). Under the October Forbearance Agreement, the lenders again agreed to temporarily forbear from exercising rights and remedies under the Amended and Restated Credit Agreement with respect to the Initial Technical Events of Default, as well as certain additional technical events of default including without limitation matters relating to the designation of certain immaterial conflicted subsidiaries; failure to join certain subsidiaries to the loan documents; noncompliance with cash management requirements; and inaccuracies in certain representations and warranties made as a result of the foregoing (collectively, with the Initial Technical Events of Default, the “Technical Events of Default”). The Technical Events of Default also triggered an event of default under the Omega Master Lease, which in turn triggered an additional event of default under the Amended and Restated Credit Agreement.

The October Forbearance Agreement provides for the same forbearance period as the prior forbearance agreements. Following the October Forbearance Agreement, the Administrative Agent agreed to extend the forbearance period thereunder through November 30, 2025. During the forbearance period, the Company is required to comply with certain additional specified conditions, including the continued maintenance of minimum liquidity of \$100,000, limitations on certain investments and acquisitions, and a prohibition on the borrowing of new loans under the Amended and Restated Credit Facility. The October Forbearance Agreement is intended to provide the Company with temporary relief while addressing the Technical Events of Default and does not constitute a waiver of the Technical Events of Default or amendment to the Amended and Restated Credit Agreement beyond the amended terms specified therein.

The Company was in compliance with all such covenants and restrictions, as amended and allowable by forbearance, as of March 31, 2025.

The Company maintains the Amended and Restated Credit Facility as its single line-of-credit. At March 31, 2025, the total commitment limit continued to be \$600,000 and was secured by Company assets. The agreements mature on December 7, 2028. Due to the covenants and restrictions outlined above, the Amended and Restated Credit Facility has been classified as current on the Company’s balance sheets as of March 31, 2025 and December 31, 2024, respectively. The balance outstanding was \$142,000 as of both March 31, 2025 and December 31, 2024, respectively. The Company had \$13,923 in letters of credit outstanding as of both March 31, 2025 and December 31, 2024, respectively.

Net deferred financing fees on the line of credit were \$11,131 and \$11,886 as of March 31, 2025 and December 31, 2024, respectively. Expense recognized relating to deferred financing fees on the line of credit is included in interest expense on the condensed consolidated statements of income. For both the three months ended March 31, 2025 and 2024 this interest expense was \$755, respectively.

NOTE 10. LONG-TERM DEBT

During the three months ended March 31, 2025 the Company and its subsidiaries did not enter into any Department of Housing and Urban Development (HUD)-insured mortgage loans, whereas in the year ended December 31, 2024, certain of the Company’s subsidiaries entered into HUD-insured mortgage loans in the aggregate amount of \$68,345. As of March 31, 2025, 13 of the Company’s subsidiaries had mortgage loans insured by HUD in the aggregate amount of \$251,927, of which \$4,047 is classified as current and the remaining \$247,880 is classified as non-current. As of December 31, 2024, the Company’s subsidiaries had HUD-insured mortgage loans in the aggregate amount of \$252,913 of which \$4,007 was classified as current and the remaining \$248,906 was classified as non-current. These subsidiaries are subject to HUD-mortgage oversight and periodic inspections. As of March 31, 2025, 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 October 1, 2061. 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 24 to 37 years.

In addition to the HUD-insured mortgage loans above, the Company’s subsidiaries had 8 other mortgage loans or promissory notes. The non-HUD insured mortgage loans and notes bear interest rates that range from 2.0% to 7.5% per

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annum with various maturity dates through June 1, 2027. As of March 31, 2025, the Company had \$4,162 of debt principal outstanding under the non-HUD mortgage loans and promissory notes, of which \$8,912 is classified as current and the remaining \$5,250 is classified as non-current. As of December 31, 2024, the Company had \$16,997 of debt principal outstanding under the non-HUD mortgage loans and promissory notes, of which \$10,845 is classified as current and the remaining \$6,152 is classified as non-current.

The Company was in compliance with all applicable loan covenants with respect to the foregoing as of March 31, 2025 and December 31, 2024. The notes and loans above are secured through guarantees by the Company and certain stockholders. Additionally, various loans are secured by facility assets and real property with a carrying value amounting to \$260,837 and \$263,219 at March 31, 2025 and December 31, 2024, respectively.

Long-term debt consists of the following:

	March 31, 2025	December 31, 2024
HUD-insured mortgage loans	\$ 251,927	\$ 252,913
Other non-HUD mortgage loans and promissory notes	14,162	16,997
Less: current maturities	(12,959)	(14,852)
Less: deferred financing fees, net	(4,041)	(4,074)
Total	\$ 249,089	\$ 250,984

Deferred financing fees on long-term debt are being amortized over the life of the respective loans. Expense recognized related to deferred financing fees on long-term debt is included in interest expense and amounted to \$32 and \$20 for the three months ended March 31, 2025 and 2024, respectively.

NOTE 11. INCOME TAXES

The Company recorded income tax expense of \$14,350 and \$22,880 during the three months ended March 31, 2025, and 2024, respectively, or 33.6% of earnings before income taxes for the three months ended March 31, 2025, compared to 39.7% for the three months ended March 31, 2024. The change in effective tax rate in the three months ended March 31, 2025, compared to the three months ended March 31, 2024, was primarily due to the change in forecasted pre-tax book income.

The Company is not, to its knowledge, under examination by any federal or state income tax authority. The Company's federal returns for tax years 2021 and forward are subject to examination, and state returns for tax years 2020 and forward are subject to examination. The Company does not believe the federal or state statute lapses or any other event will significantly impact the balance of unrecognized tax benefits in the next twelve months. The net balance of unrecognized tax benefits was not material to the Interim Financial Statements for the three months ended March 31, 2025, and 2024, respectively.

The Company's balance of net deferred tax assets or net deferred tax liabilities is included within other assets or other liabilities, respectively, on the condensed consolidated balance sheets as of March 31, 2025 and December 31, 2024, respectively.

NOTE 12. 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 through 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.

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For 35 of the facility operating leases, the Company holds an option to purchase the real estate which can be exercised at varying times until March 31, 2038. At lease inception it was determined that the exercise of each of the purchase options was not reasonably certain. Options on three of the leases have become subject to disagreement with the landlord regarding whether the option exercise window has closed, and the Company is working with the landlord to resolve the disagreement.

All facility leases provide for an additional percentage rent based upon specified rates per the terms of the agreements. This additional percentage rent is variable and is expensed as incurred.

Finance Leases

The Company leases certain skilled nursing and assisted living facilities under finance lease agreements. The lease terms of two of the facility finance leases allow for purchase options to be exercised at varying times until May 22, 2027. 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 such lease.

In addition, for six of the facility finance leases, the lessor holds an option which could require the Company to purchase the associated real estate. The total obligation to purchase such real estate is approximately \$86,751 and can be exercised by the lessor through June 14, 2026 (the "Lessor Options"). For other facility finance leases, the duration of the lease term represented the major part of the remaining economic life of the facility at inception.

Finance lease right-of-use assets are included in property and equipment and have a net balance of \$138,430 and \$139,472 as of March 31, 2025 and December 31, 2024, respectively. The current portion of finance lease liabilities is included in other accrued expenses and has a balance of \$21,239 and \$21,177 as of March 31, 2025 and December 31, 2024, respectively. The non-current portion of finance lease liabilities is included in other liabilities and has a balance of \$125,163 and \$125,470 as of March 31, 2025 and December 31, 2024, respectively.

The components of lease expense were as follows:

	Three Months Ended March 31,	
	2025	2024
		(as restated)
Operating lease expense		
Rent - cost of services ⁽¹⁾	\$ 93,795	\$ 63,513
General and administrative expense	627	810
Other variable lease costs ⁽²⁾	9,247	8,914
Total operating lease expense	\$ 103,669	\$ 73,237
Finance lease expense		
Amortization of right-of-use assets	\$ 1,042	\$ 537
Interest on lease liabilities	2,292	1,444
Total financing lease expense	\$ 3,334	\$ 1,981
Total Lease Expense	\$ 107,003	\$ 75,218

(1) Rent - cost of services includes variable lease costs such as Consumer Price Index (CPI) increases and other rent adjustments of \$ 438 and \$595 for the three months ended March 31, 2025 and 2024, respectively.

(2) Other variable lease costs of facilities, including property taxes and insurance, are classified in cost of services in the Company's unaudited condensed consolidated statements of income and comprehensive income.

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The following table summarizes supplemental cash flow information related to leases:

	Three Months Ended March 31,	
	2025	2024 (as restated)
Operating cash paid for amounts included in the measurement of operating lease liabilities	\$ 81,718	\$ 57,459
Operating cash paid for amounts included in the measurement of finance lease liabilities	2,292	1,444
Financing cash paid for amounts included in the measurement of finance lease liabilities	244	180
Operating lease right-of-use assets obtained in exchange for lease liabilities	126,107	251,247
Finance lease right-of-use assets obtained in exchange for lease liabilities	—	6,960

Information relating to the lease term and discount rate is as follows:

	As of March 31, 2025
Weighted-average remaining lease term (years)	
Operating leases	14
Finance leases	6
Weighted-average discount rate	
Operating leases	6.4 %
Finance leases	6.1 %

Maturities of lease liabilities as of March 31, 2025 were as follows:

	Finance Leases	Operating Leases	Total
2025 (remainder)	\$ 27,354	\$ 250,364	\$ 277,718
2026	92,513	338,965	431,478
2027	19,132	340,271	359,403
2028	1,949	344,168	346,117
2029	1,588	346,869	348,457
2030	1,228	352,187	353,415
Thereafter	53,506	2,932,199	2,985,705
Total lease payments	\$ 197,270	\$ 4,905,023	\$ 5,102,293
Less: present value discount	(50,868)	(1,739,263)	(1,790,131)
Present value of lease liabilities	\$ 146,402	\$ 3,165,760	\$ 3,312,162

Maturities of finance leases include amounts the Company would pay in the earliest period in which the lessor can exercise the Lessor Options.

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 condensed consolidated statements of income and comprehensive income.

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NOTE 13. OPERATION EXPANSIONS

2025 Expansions

During the three months ended March 31, 2025, the Company's operations and real estate portfolio grew through a long-term lease, with the addition of one stand-alone facility. This new facility added 119 skilled nursing beds operated by the Company's affiliated operating subsidiaries.

The Company's expansion strategy has been focused on identifying both opportunistic and strategic acquisitions within its target markets that offer strong opportunities to improve both clinical and financial performance of the acquired facility. The operations added by the Company are frequently underperforming financially and have regulatory and clinical challenges to overcome. Financial information, especially with underperforming operations, is often inadequate, inaccurate or unavailable. The Company believes that prior operating results are not typically 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 three months ended March 31, 2025 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 condensed consolidated balance sheets of the Company, and the operating results have been included in the condensed consolidated statements of income and comprehensive income of the Company since the date the Company gained effective control.

Expansions and Divestitures After Period End

Subsequent to March 31, 2025, the Company's operations expanded in three existing states with the addition of six stand-alone facilities, four of which were acquired through long-term leases and two of which the Company previously owned the real estate for. These new facilities added 376 skilled nursing beds and 271 assisted living beds operated by the Company's affiliated operating subsidiaries. The aggregate purchase price for these facilities was \$1,243.

Additionally, during the same period the Company expanded its portfolio of owned properties by acquiring five properties associated with the Lessor Options for an aggregate purchase price of \$79,351.

Subsequent to March 31, 2025, the Company also divested of one leased facility which included 120 skilled nursing beds.

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.

Regulatory Investigations

The Company is subject to various governmental inspections, audits, and investigations that arise in the ordinary course of its business. The following governmental investigations are ongoing, although the government entities conducting these investigations have not asserted claims against the Company in connection with these investigations.

On April 8, 2024, Providence Administrative Consulting Services ("Providence") and Paradise Valley Healthcare Center ("Paradise Valley") received a Civil Investigative Demand ("CID") from the U.S. Department of Justice ("DOJ") requesting information and documents relating to an investigation of Paradise Valley and Providence to determine whether Paradise Valley and Providence violated the False Claims Act by submitting false claims to Medicare. The investigation

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relates to whether Providence and Paradise Valley improperly induced patient referrals through remuneration in violation of the Anti-Kickback Statute. The CID includes requests for information relating to referral source relationships, including relationships with medical directors and other individuals. The Company is cooperating with the investigation, which is ongoing.

On September 11, 2024, the Company received a CID from the DOJ requesting information and documents relating to an investigation of the Company's California-based skilled nursing facilities to determine whether the Company violated the False Claims Act by submitting false claims to Medicare for reimbursement under the patient-driven payment model (PDPM) for skilled nursing and rehabilitation services. The CID includes requests for information relating to the Company's practices and incentives pertaining to the completion and submission of Minimum Data Set Assessments and the resulting PDPM rates. The Company is cooperating with the investigation, which is ongoing.

On September 30, 2024, Providence Group, Inc. ("Providence Group") received a CID from the DOJ requesting information and documents relating to an investigation of its skilled nursing facilities, specifically including Bishop Care Center ("Bishop") to determine whether Providence Group violated the False Claims Act by submitting false claims to Medicare for reimbursement under the COVID-19 related Hospital Stay Waiver (otherwise known as the 1135 waiver). The CID includes requests for information relating to 1135 COVID Waiver practices at Bishop. The Company is cooperating with the investigation, which is ongoing.

On February 26, 2025, the Company received a subpoena from the DOJ per the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") relating to an investigation into possible violations of various sections of 18 U.S.C. that prohibit the making of fraudulent or false statements to any branch of the government of the United States. The subpoena includes requests for information relating to PACS' 1135 COVID Waiver practices, billing of Medicare Part B for respiratory and sensory integration therapy services, change of insurance enrollment, cost waivers for co-pays, deductibles, and co-insurance, and claim reimbursement from Medicare for bad debt. The Company is cooperating with the investigation, which is ongoing.

SEC Investigation

The SEC's Division of Enforcement is conducting an investigation into matters that relate to the Company's accounting and financial reporting and disclosure, and the Company's internal controls over financial reporting and disclosure controls.

The Company is cooperating with each of the regulatory investigations identified above and the SEC investigation to produce the requested information and documentation. At this time, the Company cannot predict the outcome of any of these investigations and there can be no assurance that one or more of these investigations will not result in suits or actions alleging, or findings of, violations of federal or state laws that could lead to the imposition of damages, fines, penalties, restitution, other monetary liabilities, sanctions, settlements or changes to our business practices or operations that could have a material adverse effect on our business, financial condition or results of operations. The legal costs associated with responding to the regulatory investigations and SEC investigations can be substantial, regardless of the outcome.

The Company is unable at this time to estimate a loss or range of loss that may arise in the event that a claim is asserted against it in connection with any of these investigations for reasons including that these matters are in early stages, no factual issues have been resolved in these matters, and there is uncertainty as to the outcome of these matters, which can result in large settlement amounts or damage awards.

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.

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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, and continues to be, subject to other 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. For example, the Company has been subjected to, and is currently involved in, litigation alleging violations of state and federal wage and hour laws resulting from the alleged failure to pay wages, to timely provide and authorize meal and rest breaks, and related causes of action.

In addition to the litigations described above, the Company is also subject to the following litigation:

Litigation – Securities Class Action and Shareholder Derivative Actions

On November 13, 2024, a putative securities class action captioned *Manchin v. PACS Group, Inc., et al.*, Case No. 1:24-cv-08636-LJL (S.D.N.Y.) (“*Manchin* Action”) was filed against the Company, individual defendants Jason Murray, Derick Apt, Mark Hancock, Jacqueline Millard, and Taylor Leavitt; and underwriter defendants 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., and Regions Securities LLC. The complaint brings claims under Sections 11 and 15 of the Securities Act, and Section 10(b), and 20(a) of the Exchange Act, and alleges the Company and its leadership engaged in a multi-year scheme to inflate revenue and profitability by (i) exploiting a COVID-era Medicare waiver to “flip” long-term Medicaid patients to higher-paying Medicare coverage, (ii) billing unnecessary Medicare Part B respiratory and sensory integration therapies, and (iii) falsifying licensure and staffing documentation. On January 7, 2025, the court consolidated the *Manchin* action with a similar action brought by plaintiff New Orleans Employees’ Retirement System, and on February 11, 2025 the court appointed 1199SEIU Health Care Employees Pension Fund as lead plaintiff, and its counsel, Labaton Keller Sucharow LLP, as lead counsel. Pursuant to the parties’ stipulation and as ordered by the court on May 29, 2025, the Lead Plaintiff’s consolidated complaint is not due until 14 days after the Company files its Quarterly Report on Form 10-Q for the period ended September 30, 2024 and its Annual Report on Form 10-K for the year ended December 31, 2024. Defendants’ motion to dismiss the consolidated complaint is due 60 days after the complaint is filed, Plaintiffs’ opposition is due 60 days after the filing of the motion to dismiss, and Defendants’ reply is due 45 days after the filing of the opposition.

On February 14, 2025, a derivative action originally filed by plaintiff Theresa Howard-Hines (“*Howard-Hines* Action”) captioned *IN RE PACS GROUP, INC. DERIVATIVE LITIGATION* Lead Case No. 1:25-cv-01343-LJL (S.D.N.Y.) was filed against defendants Jason Murray, Derick Apt, Mark Hancock, Michelle Lewis, Jacqueline Millard, Taylor Leavitt, and Evelyn Dilsaver, with the Company named as nominal defendant. The complaint brings claims of breach of fiduciary duties, unjust enrichment, waste of corporate assets, and contribution, based on substantially similar allegations as in the *Manchin* Action. On April 8, 2025, the court consolidated the *Howard-Hines* action with a similar derivative action filed by plaintiff Adam Beckman, under the name *In re PACS Group, Inc. Derivative Litigation*. On June 9, 2025, the parties filed a joint stipulation staying the action until the earlier of the dismissal of the *Manchin* Action, the denial of any motion to dismiss in the *Manchin* Action, or the termination of the stay.

On August 19, 2025, a derivative action captioned *Boers v. Murray, et al.*, Case No. 1:25-cv-00119-DAK-DBP (D. Utah) was filed against the same defendants and alleging substantially the same claims and theories as *IN RE PACS GROUP, INC. DERIVATIVE LITIGATION*. The defendants have not yet been served in this action. The parties have tentatively agreed to stay the Utah Derivative Action pending resolution of the anticipated motion to dismiss the securities class action. No dispositive rulings have issued, discovery is not proceeding, and there are no settlement ranges or agreements in principle. Future developments may include motions to dismiss and other dispositive motions, and potential coordination with the securities class action if the stays are lifted.

Legal proceedings can be complex and take many months, or even years, to reach resolution, with the final outcome depending on a number of variables, some of which are not within our control. Therefore, although the Company will vigorously defend itself in each of the actions described above and any other legal proceedings, their ultimate resolution

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and potential financial and other impacts on the Company are uncertain but could be material. 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, interim or final rulings.

The Company accrues a liability amount when it believes that it is both probable that a liability has been incurred, and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. Such legal matters are inherently unpredictable and subject to significant uncertainties, some of which are beyond the Company's control. The Company is unable to estimate a loss or range of loss in connection with the Securities Class Action and Shareholder Derivative Actions at this time for reasons including that these matters are in early stages, no factual issues have been resolved in these matters, and there is uncertainty as to the outcome of these matters.

The defense of any of the litigations described above may result in significant legal costs, regardless of the outcome, and can result in large settlement amounts or damage awards. While there can be no assurance, based on the Company's evaluation of information currently available, management does not believe the results of such litigations 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 \$500 to \$750 per claim, as well as an additional aggregate one-time deductible generally ranging from \$6,000 to \$10,000 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 external actuary to assist management in estimating the expense and related self-insurance liabilities for PLGL claims, both asserted and unasserted, on an undiscounted basis. Included as part of accrued self-insurance liabilities in the accompanying condensed consolidated balance sheets are PLGL self-insurance liabilities amounting to \$242,428 and \$216,534 as of March 31, 2025 and December 31, 2024, respectively, which include \$33,134 and \$28,593, respectively, of estimated PLGL claims that will be covered by the unrelated insurer. PLGL self-insurance liabilities as of March 31, 2025 and December 31, 2024 include \$79,733 and \$76,650, respectively, that were related to unasserted claims. The Company recorded an asset for the estimated PLGL claims that will be covered by the unrelated insurer. As of March 31, 2025 this asset amounted to \$5,633 and \$27,501 recorded within other receivables and other assets, respectively, and as of December 31, 2024, this asset amounted to \$4,861 and \$23,732 recorded within other receivables and other assets, respectively, as the PLGL claims and the anticipated insurance recoveries are recorded on a gross rather than net basis in accordance with U.S. GAAP.

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 condensed consolidated balance sheets for any of the periods presented.

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NOTE 15. COMPUTATION OF NET INCOME PER COMMON 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, which are comprised of restricted stock units using treasury stock method.

A reconciliation of the numerator and denominator used in the calculation of basic net income per common share follows:

	Three Months Ended March 31,	
	2025	2024
	(as restated)	
Numerator:		
Net income	\$ 28,380	\$ 34,819
Less: net (loss) income attributable to noncontrolling interest	(92)	2
Net income attributable to PACS Group, Inc.	\$ 28,472	\$ 34,817
Denominator:		
Weighted average common shares outstanding	155,177,511	128,723,386
Basic net income per common share	\$ 0.18	\$ 0.27

A reconciliation of the numerator and denominator used in the calculation of diluted net income per common share follows:

	Three Months Ended March 31,	
	2025	2024
	(as restated)	
Numerator:		
Net income	\$ 28,380	\$ 34,819
Less: net (loss) income attributable to noncontrolling interest	(92)	2
Net income attributable to PACS Group, Inc.	\$ 28,472	\$ 34,817
Denominator:		
Weighted average common shares outstanding	155,177,511	128,723,386
Plus: effect of diluted shares ⁽¹⁾	11,238,105	—
Adjusted weighted average common shares outstanding	166,415,616	128,723,386
Diluted net income per common share	\$ 0.17	\$ 0.27

(1) The diluted per share amounts do not reflect 16,916 common share equivalents from restricted stock units for the three months ended March 31, 2025 because of their anti-dilutive effect.

NOTE 16. STOCK AWARDS

Stock-based compensation expense consists of stock-based payment awards made to employees and directors, comprised of restricted stock units, based on their estimated fair values. Stock-based compensation expense recognized in the Company's condensed consolidated statements of income and comprehensive income for the three months ended March 31, 2025 and 2024 was based on the vesting of awards granted to date.

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2024 Incentive Award Plan (2024 Plan)

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 15,390,579 shares of common stock issuable upon the vesting of restricted stock unit (RSU) awards granted in connection with the Company's initial public offering (IPO)) was equal to 10.25% of the number of shares of common stock outstanding immediately following the completion of the IPO (disregarding the shares issuable under the 2024 Plan). The number of shares available for issuance under the 2024 Plan increases annually on the first day of the year by an amount equal to up to 2% of the aggregate number of shares outstanding on the final day of the immediately preceding calendar year. As of March 31, 2025, the total number of shares available for issuance under the 2024 Plan was 3,163,084.

2024 Employee Stock Purchase Plan (2024 ESPP)

On March 31, 2024, the Company's board of directors and stockholders approved the 2024 ESPP, which became effective on the date immediately preceding the date on which the Company's registration statement was declared effective by the SEC. The number of shares initially available for issuance pursuant to the 2024 ESPP (which number includes 1,501,520 shares of common stock issuable pursuant to rights granted under the plan) was equal to 1% of the number of shares of common stock outstanding immediately following the completion of the IPO (disregarding the shares issuable under the 2024 Plan). The number of shares available for issuance under the 2024 ESPP increases annually on the first day of the year by an amount equal to up to 1% of the aggregate number of shares outstanding on the final day of the immediately preceding calendar year. As of March 31, 2025 the total number of shares available for issuance under the 2024 ESPP was 3,053,295 as there have been no shares issued under this plan.

Restricted Stock Unit Awards

Pursuant to the 2024 Plan, the Company granted RSU awards of 1,962,425 and 0 shares during the three months ended March 31, 2025 and 2024, respectively. Awards granted to key executives at the time of the IPO vested 25% upon issuance with the remaining shares scheduled to vest in equal increments on an annual basis over the next five years. All other awards generally vest in equal increments on an annual basis over three years as the grantees meet the requisite service condition. These awards granted used the market price on the date of the respective grant to determine the award fair value. The fair value per share of RSU awards granted during the three months ended March 31, 2025 was \$13.72.

A summary of the status of the Company's non-vested RSU awards as of March 31, 2025 and changes during the three months ended March 31, 2025 is presented below:

	Non-Vested Restricted Stock Unit Awards	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2025	11,561,818	\$ 21.01
Granted	1,962,425	13.72
Vested	—	—
Forfeited	(440,973)	20.69
Non-vested at March 31, 2025	13,083,270	\$ 19.92

Stock-based compensation expense

Stock-based compensation expense recognized during the three months ended March 31, 2025 and 2024 for the Company's equity incentive plans was \$2,202 and \$0, respectively.

In future periods, the Company expects to recognize \$213,738 in stock-based compensation expense for unvested RSU awards that were outstanding as of March 31, 2025. Future stock-based compensation expense will be recognized over 3.9 weighted average years for unvested RSU awards.

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NOTE 17. SUBSEQUENT EVENTS

On November 19, 2025, the Audit Committee of the Company's Board of Directors concluded an independent investigation that was initially disclosed in a press release issued on November 6, 2024, furnished as Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 6, 2024.

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

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying notes, which appear elsewhere in this Quarterly Report on Form 10-Q. We urge you to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K for the year ended December 31, 2024 (Annual Report) which discusses our business and related risks in greater detail, as well as subsequent reports we may file from time to time on Form 10-Q and Form 8-K, for additional information. The section titled "Risk Factors" contained in Part I, Item 1A of our Annual Report on Form 10-K, and similar discussions in our other SEC filings, also describe some of the important risk factors that may affect our business, financial condition, results of operations and/or liquidity. You should carefully consider those risks, in addition to the other information in this Quarterly Report on Form 10-Q and in our other filings with the SEC, before deciding to purchase, hold or sell our common stock.

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. We also provide senior care, assisted living, and independent living options in some of our communities. As of March 31, 2025, our portfolio consisted of 315 post-acute care, assisted living, and independent living facilities across 17 states serving over 30,400 patients daily. We believe 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 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. We believe 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 4.1 and 96%, respectively, as of March 31, 2025. As of March 31, 2025, 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 3.1 and 82%, respectively.

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 can 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 approximately 100 facilities, representing approximately 11% of total number of SNFs in the United States, according to CMS data as of September 2024, approximately 5,000 smaller and independent operators of less than 100 facilities making up the remainder. According to this data, approximately 73% and 27% of SNFs are located in urban and rural areas, respectively. In addition, approximately 73%, 21%, 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 14,800 in 2024. 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. During that time, the industry 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 "Regulatory Matters."

Facility Information

The following table provides summary information regarding the location of our post-acute care facilities and operational beds by property type as of March 31, 2025:

	Leased		Owned		Total	
	Facilities	Beds/Units	Facilities	Beds/Units	Facilities	Beds/Units
Alaska	1	102	—	—	1	102
Arizona	10	1,352	—	—	10	1,352
California	113	13,095	26	2,934	139	16,029
Colorado	19	2,210	1	242	20	2,452
Idaho	6	407	—	—	6	407
Kansas	3	378	—	—	3	378
Kentucky	5	596	2	340	7	936
Missouri	2	190	3	424	5	614
Montana	1	64	—	—	1	64
Nevada	6	411	2	165	8	576
Ohio	24	2,733	—	—	24	2,733
Oregon	21	1,514	—	—	21	1,514
Pennsylvania	4	597	4	602	8	1,199
South Carolina	21	2,354	4	488	25	2,842
Tennessee	12	1,299	—	—	12	1,299
Texas	3	290	2	246	5	536
Washington	20	1,520	—	—	20	1,520
	271	29,112	44	5,441	315	34,553

During the three months ended March 31, 2025, we expanded our operations with the addition of one stand-alone skilled nursing facility. This new facility added a total of 119 skilled nursing beds to be operated by our affiliated operating subsidiaries.

Subsequent to March 31, 2025, our operations expanded in three existing states with the addition of six stand-alone facilities, four of which were acquired through long-term leases and two of which we previously owned the real estate for. Further, we expanded our portfolio of owned properties through five additional real estate purchases. For each of these five acquired properties, we previously operated the respective facilities and have now acquired the real estate associated with those operations. The new operations added 376 skilled nursing beds and 271 assisted living beds operated by our affiliated operating subsidiaries. Additionally, during the period subsequent to March 31, 2025, we divested of one leased facility which included 120 skilled nursing beds. For further discussion of our real estate properties and expansions, see Note 13, “Operation Expansions”, in the Notes to the condensed consolidated financial statements.

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 or built 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, *Revenue from Contracts with Customers* (ASC 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 27 and six assisted living and independent living facilities for the three months ended March 31, 2025 and 2024, 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 skilled nursing facilities, and for the skilled nursing facilities in each of the three facility cohorts, as of and for the three months ended March 31, 2025 and 2024:

	Total Facility Results Three Months Ended March 31,			
	2025	2024	Change	% Change
	(as restated)			
	(Dollars in thousands)			
Skilled nursing services revenue	\$ 1,254,075	\$ 912,575	\$ 341,500	37.4 %
Skilled mix by revenue	50.0 %	52.0 %		(2.0) %
Skilled mix by nursing patient days	29.6 %	29.8 %		(0.2) %
Occupancy for skilled nursing services:				
Available patient days	2,898,481	2,164,061	734,420	33.9 %
Actual patient days	2,585,719	1,970,602	615,117	31.2 %
Occupancy rate (operational beds)	89.2 %	91.1 %		(1.9) %
Number of facilities at period end	288	212	76	35.8 %
Number of operational beds at period end	32,309	24,315	7,994	32.9 %

Mature Facility Results				
Three Months Ended March 31,				
	2025	2024	Change	% Change
	(as restated)			
	(Dollars in thousands)			
Skilled nursing services revenue	\$ 692,159	\$ 282,038	\$ 410,121	145.4 %
Skilled mix by revenue	56.9 %	55.6 %		1.3 %
Skilled mix by nursing patient days	34.1 %	32.5 %		1.6 %
Occupancy for skilled nursing services:				
Available patient days	1,363,226	634,543	728,683	114.8 %
Actual patient days	1,301,707	600,003	701,704	117.0 %
Occupancy rate (operational beds)	95.5 %	94.6 %		0.9 %
Number of facilities at period end	139	65	74	113.8 %
Number of operational beds at period end	15,223	6,973	8,250	118.3 %

Ramping Facility Results				
Three Months Ended March 31,				
	2025	2024	Change	% Change
	(as restated)			
	(Dollars in thousands)			
Skilled nursing services revenue	\$ 246,770	\$ 397,861	\$ (151,091)	(38.0)%
Skilled mix by revenue	44.0 %	57.6 %		(13.6)%
Skilled mix by nursing patient days	24.2 %	34.1 %		(9.9)%
Occupancy for skilled nursing services:				
Available patient days	612,325	825,990	(213,665)	(25.9)%
Actual patient days	529,172	784,834	(255,662)	(32.6)%
Occupancy rate (operational beds)	86.4 %	95.0 %		(8.6)%
Number of facilities at period end	58	84	(26)	(31.0)%
Number of operational beds at period end	7,174	9,380	(2,206)	(23.5)%

New Facility Results				
Three Months Ended March 31,				
	2025	2024	Change	% Change
	(as restated)			
	(Dollars in thousands)			
Skilled nursing services revenue	\$ 315,146	\$ 232,676	\$ 82,470	35.4 %
Skilled mix by revenue	39.9 %	38.4 %		1.5 %
Skilled mix by nursing patient days	25.5 %	21.4 %		4.1 %
Occupancy for skilled nursing services:				
Available patient days	922,930	703,528	219,402	31.2 %
Actual patient days	754,840	585,765	169,075	28.9 %
Occupancy rate (operational beds)	81.8 %	83.3 %		(1.5) %
Number of facilities at period end	91	63	28	44.4 %
Number of operational beds at period end	9,912	7,962	1,950	24.5 %

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, and for each of the three facility cohorts, for the three months ended March 31, 2025 and 2024:

Skilled mix by revenue	Three Months Ended March 31,							
	Mature		Ramping		New		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
Medicare	41.3 %	37.6 %	32.6 %	39.2 %	21.2 %	22.1 %	34.4 %	34.3 %
Managed care	15.6	18.0	11.4	18.4	18.7	16.3	15.6	17.7
Skilled mix	56.9	55.6	44.0	57.6	39.9	38.4	50.0	52.0
Medicaid	34.9	37.8	47.3	35.2	50.7	52.7	41.4	40.5
Private and other	8.2	6.6	8.7	7.2	9.4	8.9	8.6	7.5
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Skilled mix by nursing patient days	Three Months Ended March 31,							
	Mature		Ramping		New		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
Medicare	22.0 %	18.6 %	15.5 %	20.2 %	11.6 %	9.7 %	17.7 %	16.6 %
Managed care	12.1	13.9	8.7	13.9	13.9	11.7	11.9	13.2
Skilled mix	34.1	32.5	24.2	34.1	25.5	21.4	29.6	29.8
Medicaid	57.1	59.4	66.6	56.9	64.0	68.6	61.1	61.2
Private and other	8.8	8.1	9.2	9.0	10.5	10.0	9.3	9.0
Total	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. Revenue associated with calculating average daily rates is based on contractually agreed-upon amounts or rates, excluding the estimates of variable consideration under ASC 606. These rates also exclude additional state relief funding, which includes payments we recognized as part of The Families First Coronavirus Response Act (FFCRA).

The following table presents average daily rates by payor source, excluding services that are not covered by the daily rate, for the three months ended March 31, 2025 and 2024:

Average daily rate	Three Months Ended March 31,							
	Mature		Ramping		New		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
Medicare	\$ 981.74	\$ 937.66	\$ 983.51	\$ 968.59	\$ 771.85	\$ 917.80	\$ 941.86	\$ 949.23
Managed care	679.15	601.48	621.39	660.85	569.38	558.19	633.00	614.99
Total for skilled patient payors ⁽¹⁾	875.06	794.16	854.19	843.08	661.40	721.10	817.72	800.91
Medicaid	319.31	295.05	334.65	308.88	335.35	308.60	327.64	304.70
Private and other	488.77	380.32	444.93	408.15	379.67	354.26	444.41	382.61
Total ⁽²⁾	\$ 523.52	\$ 464.08	\$ 470.76	\$ 500.21	\$ 423.17	\$ 401.37	\$ 483.43	\$ 459.83

(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 condensed 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 (loss) income attributable to noncontrolling interest, before: interest expense; 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, gains on lease termination, stock-based compensation expense, legal and other costs, 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. Legal and other costs include legal and professional fees incurred associated with the Audit Committee’s independent investigation and with other ongoing investigations.

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 consolidated basis for the periods presented:

	Three Months Ended March 31,	
	2025	2024
	(in thousands)	
		(as restated)
Net income	\$ 28,380	\$ 34,819
Less: Net (loss) income attributable to noncontrolling interest	(92)	2
Add: Interest expense	6,904	16,096
Provision for income taxes	14,350	22,880
Depreciation and amortization	12,705	8,116
EBITDA	\$ 62,431	\$ 81,909
Adjustments to EBITDA:		
Acquisition related costs	137	207
Gain on lease termination	—	(8,046)
Stock-based compensation expense	12,202	—
Legal and other costs	22,804	—
Adjusted EBITDA	\$ 97,574	\$ 74,070
Rent - cost of services	93,795	63,513
Adjusted EBITDAR	\$ 191,369	

Components of Results of Operations

Revenue

Patient and Resident Service Revenue

Patient and resident service revenue typically represents over 99% of 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 the three months ended March 31, 2025 and 2024, 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, and assisted living 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 and reviews. Within our skilled nursing operations, we generate revenue from payor sources including 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.

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 administrative 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 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 of, 271 facilities 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 our IPO in April 2024, we adopted the 2024 Plan and the 2024 ESPP. From this point forward, our general and administrative expense includes 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. Our costs 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 are higher as a public company. Legal and professional fees incurred associated with the Audit Committee's independent investigation and with ongoing investigations are included in general and administrative expense. 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 estimated useful lives of our depreciable assets:

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

Other Expense, 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, and gains from lease termination.

Provision for Income Taxes

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

Results of Operations

Three Months Ended March 31, 2025 Compared to the Three Months Ended March 31, 2024

	Three Months Ended March 31,		Change	
	2025	2024	\$	%
	(as restated)			
	(in thousands)			
Revenue				
Patient and resident service revenue	\$ 1,276,985	\$ 919,413	\$ 357,572	38.9 %
Other revenue	165	423	(258)	(61.0)%
Total Revenue	\$ 1,277,150	\$ 919,836	\$ 357,314	38.8 %
Operating Expenses				
Cost of services	1,023,791	735,992	287,799	39.1 %
Rent - cost of services	93,795	63,513	30,282	47.7 %
General and administrative expense	98,719	46,906	51,813	110.5 %
Depreciation and amortization	12,705	8,116	4,589	56.5 %
Total Operating Expenses	\$ 1,229,010	\$ 854,527	\$ 374,483	43.8 %
Operating income	48,140	65,309	(17,169)	(26.3)%
Other (Expense) Income				
Interest expense	(6,904)	(16,096)	9,192	(57.1)%
Gain on lease termination	—	8,046	(8,046)	100.0 %
Other income, net	1,494	440	1,054	239.5 %
Total Other Expense, Net	\$ (5,410)	\$ (7,610)	\$ 2,200	(28.9)%
Income before provision for income taxes	42,730	57,699	(14,969)	(25.9)%
Provision for income taxes	14,350	22,880	(8,530)	(37.3)%
Net Income	\$ 28,380	\$ 34,819	\$ (6,439)	(18.5)%

Revenue

Patient and resident service revenue - Patient and resident service revenue increased by \$357.6 million to \$1.3 billion for the three months ended March 31, 2025, a 38.9% increase compared to the three months ended March 31, 2024. For the three months ended March 31, 2025 and 2024, skilled nursing services revenue represented more than 99% of patient and resident service revenue.

Skilled nursing services revenue increased by 37.4%, or \$341.5 million, to \$1.3 billion for the three months ended March 31, 2025, compared to the three months ended March 31, 2024. This change was driven by an increase in patient days of 615,117 or 31.2% primarily due to an increase in operational beds of 7,994, or 32.9%, from March 31, 2024 to March 31, 2025. New facilities experienced a slight decrease in occupancy, from 83.3% for the three months ended March 31, 2024 to 81.8% for the three months ended March 31, 2025 due to our large number of recent new acquisitions. Our relatively high occupancy rate across all facilities of 89.2% for the three months ended March 31, 2025, reflects a decrease compared to 91.1% for the three months ended March 31, 2024, driven by decreases in both the New and Ramping facility cohorts.

Our skilled nursing services revenue was impacted by developments in our average daily rates and fluctuations in our payor source mix. Our average Medicare daily rates decreased by 0.8%, for the three months ended March 31, 2025, compared to the three months ended March 31, 2024.

Our average Medicaid rates increased 7.5% 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.

Other revenue - Other revenue decreased to \$0.2 million for the three months ended March 31, 2025, compared to \$0.4 million for the same period in the prior year.

Cost of services

Cost of services increased by \$287.8 million to \$1.0 billion, for the three months ended March 31, 2025, compared to the three months ended March 31, 2024. The 39.1% increase was primarily driven by an increase of \$170.9 million in salaries and wages. Our total number of post-acute care facilities, inclusive of skilled nursing facilities and assisted living facilities, increased from 176 as of March 31, 2024 to 315 as of March 31, 2025, an increase of 79.0%. Of the salaries and wages increase, those attributable to New facilities purchased after March 31, 2024 accounted for \$141.1 million or 82.6% of the increase. Headcount and operational changes attributable to Ramping and Mature facilities accounted for the remaining change in salaries and wages. Aside from labor costs, the increase in cost of services was due to increases of \$37.1 million in administrative expenses for facilities; \$36.3 million in contracted services made up of \$9.5 million from New facilities, or 26.1%, and the remaining \$26.8 million from Ramping and Mature facilities; \$20.3 million in nursing and dietary expenses, made up of \$7.3 million from New facilities; and \$11.4 million from liability insurance; with the remainder spread out across various expense types.

Rent - cost of services

Rent - cost of services increased to \$93.8 million for the three months ended March 31, 2025, compared to \$63.5 million for the three months ended March 31, 2024. The increase was primarily attributable to the addition of new facilities with operating leases throughout the year, as well as to annual escalators on existing facilities' rent.

General and administrative expense

General and administrative expense increased by \$51.8 million, to \$98.7 million for the three months ended March 31, 2025, compared to \$46.9 million for the three months ended March 31, 2024. This increase was primarily due to an increase in professional fees including a \$22.8 million increase in legal fees incurred associated with the Audit Committee's independent investigation and with ongoing government investigations for the three months ended March 31, 2025. This increase was further driven by stock compensation expense recognized during the quarter which accounted for \$12.2 million of the increase. The change was also impacted by an increase in salaries and wages of \$8.7 million, or 24.3%, driven by growth in operations.

Depreciation and amortization

Depreciation and amortization increased by \$4.6 million to \$12.7 million, for the three months ended March 31, 2025, compared to the three months ended March 31, 2024. This increase is directly attributable to new real estate obtained through acquisitions as well as our finance lease portfolio.

Other expense, net

Other expense, net was \$5.4 million for the three months ended March 31, 2025, a decrease of \$2.2 million compared to the three months ended March 31, 2024. Other expense, net consists of interest expense which decreased by \$9.2 million, to \$6.9 million for the three months ended March 31, 2025, driven by a decrease in amounts drawn on our line of credit and long-term debt of \$380.6 million from March 31, 2024 to March 31, 2025. The three months ended March 31, 2024 included a gain of \$8.0 million recognized upon the termination of a lease and there was no comparable activity for the three months ended March 31, 2025. Additionally, other income, net increased by \$1.1 million compared to the three months ended March 31, 2024, driven by an increase in unrealized gains on investments.

Provision for income taxes

Provision for income taxes totaled \$14.4 million for the three months ended March 31, 2025, representing an effective tax rate of 33.6%, compared to a provision for income tax of \$22.9 million and an effective tax rate of 39.7% for the three months ended March 31, 2024. The change in effective tax rate in the three months ended March 31, 2025 compared to the three months ended March 31, 2024 was primarily due to the change in forecasted pre-tax book income. See Note 11 "Income Taxes", in our condensed 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

Prior to our IPO our liquidity was generally 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.

As of March 31, 2025 and September 30, 2025, we had cash and cash equivalents of \$287.5 million and \$355.7 million, respectively. The total principal amount outstanding under our Amended and Restated Credit Facility as of March 31, 2025 and September 30, 2025, was \$142.0 million and \$100.0 million, respectively. In addition, we had outstanding letters of credit of \$13.9 million as of both March 31, 2025 and September 30, 2025, respectively.

As described in more detail below, we are in a state of forbearance with the lenders associated with the Amended and Restated Credit Facility and as a result, we are currently unable to borrow additional amounts. We are in active discussions with the Required Lenders (as defined in the Amended and Restated Credit Agreement) regarding the terms of an amendment and waiver to our Amended and Restated Credit Facility and expect to reach an agreement before the end of the forbearance period to be able to borrow additional amounts.

The terms of the Amended and Restated Credit Facility permit optional prepayments from time to time without premium or penalty. We expect to continue to use the Amended and Restated Credit Facility, subject to entrance into the agreement described above, as our single line-of-credit and to fund the potential acquisition of additional property and operations, as well as for working capital and for general corporate purposes. We paid no cash to fund real estate acquisitions for the three months ended March 31, 2025, compared to \$78.5 million, for the three months ended March 31, 2024.

We believe our current cash balances and our cash flow from operations 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.

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

	Three Months Ended March 31,	
	2025	2024
	(as restated)	
	(in thousands)	
Net cash provided by/(used in):		
Operating activities	\$ 150,244	\$ 58,751
Investing activities	(16,416)	(118,669)
Financing activities	(4,065)	34,489
Net change in cash	\$ 129,763	\$ (25,429)
Cash, cash equivalents, and restricted cash - beginning of period	160,842	118,704
Cash, cash equivalents, and restricted cash - end of period	\$ 290,605	\$ 93,275

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 three months ended March 31, 2025 of \$150.2 million increased by \$91.5 million as compared with the same period in 2024. The increase was driven by an increase in cash flows from the change in operating assets and liabilities of \$100.4 million due primarily to the timing of accounts receivable collections as well as the timing of payables and other accrued liabilities. The impact of collections to net income is driven by growth in operating facilities period-over-period, accompanied by a decrease in days sales outstanding of 3.6, from 57.5 as of March 31, 2024 to 53.9 as of March 31, 2025. This reduction in days sales outstanding is primarily due to a focus on increasing collections on revenue.

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 three months ended March 31, 2025 of \$16.4 million decreased by \$102.3 million as compared with the same period in 2024. The decrease in cash used was attributable to no cash being used for investment in partnerships, other investments consisting of holdings in investment grade bond mutual funds, or in the acquisition of facilities during the three months ended March 31, 2025. During the three months ended March 31, 2024, we used cash of \$5.1 million, \$25.0 million, and \$78.5 million for these purposes, respectively. This reduction was offset by an increase of \$7.0 million in cash used to purchase property and equipment in excess of cash used for these purposes in three months ended March 31, 2024.

Financing activities

Financing cash flows consist primarily of payments and draws on lines of credit, distributions and repayment of short-term and long-term debt, borrowings on lines of credit, contributions from noncontrolling interest, and proceeds from equity offerings.

Net cash used in financing activities for the three months ended March 31, 2025 of \$4.1 million increased by \$38.7 million as compared to the net cash provided by financing activities of \$34.5 million during the same period in 2024. This difference is due to net borrowings of \$17.0 million and \$35.0 million from our line of credit and long-term debt, respectively, during the three months ended March 31, 2024 compared to net payments of \$4.1 million on our line of credits during the three months ended March 31, 2025. This was offset by a reduction in cash used to pay dividends on common stock of \$17.5 million for the three months ended March 31, 2025 as compared to the three months ended March 31, 2024.

Credit facility amendments

On May 16, 2024, we entered into an amendment to the Amended and Restated Credit Facility that, among other things, waived an event of default that had occurred and was then continuing under the Amended and Restated Credit Facility and modified the affirmative covenants thereunder requiring the joinder of certain subsidiaries of PACS Group, Inc. to the Amended and Restated Credit Facility, as further set forth therein. On November 14, 2024, we entered into another amendment to the Amended and Restated Credit Facility that, among other things, extended the deadline for our delivery of unaudited quarterly financial statements for the fiscal quarter ended September 30, 2024. On March 27, 2025, and May 29, 2025, we entered into further amendments to the Amended and Restated Credit Facility that, among other things, extended the deadline for delivery of audited annual financial statements for the fiscal year ended December 31, 2024. The May 29, 2025 amendment also supplemented the Amended and Restated Credit Agreement's financial covenants requiring us to maintain unrestricted cash and certain permitted investments of at least \$100 million until we deliver audited financial statements for the fiscal year ended December 31, 2024 (the "Liquidity Requirement").

On July 24, 2025 and August 13, 2025 we entered into two separate forbearance agreements with the Truist Bank, as administrative agent (the "Administrative Agent") and the lenders, pursuant to which the lenders agreed to temporarily forbear from exercising remedies under the Amended and Restated Credit Facility with respect to certain technical events of default, including without limitation matters relating to inaccuracies in certain representations and warranties made, which inaccuracies also triggered an event of default under the Third Consolidated Master Lease, dated June 30, 2023 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Omega Master Lease"), which in turn triggered an additional event of default under the Amended and Restated Credit Facility. In addition, a separate representation and warranty event of default occurred under the Omega Master Lease, which triggered an event of default under the Amended and Restated Credit Agreement (all such technical events of default under the Amended and

Restated Credit Facility, the “Initial Technical Events of Default”). The August 13, 2025 Forbearance Agreement and Fifth Amendment to the Credit Agreement required that the Liquidity Requirement remain in place for the entirety of the forbearance period and further extended the delivery period with respect to the fiscal year 2024 financial statements. The forbearance period was scheduled to run until October 31, 2025, subject to extension by the Administrative Agent through November 30, 2025, or by the Required Lenders thereafter, or earlier termination upon the occurrence of certain specified events of default.

On October 21, 2025, we entered into a third forbearance agreement (the “October Forbearance Agreement”). Under the October Forbearance Agreement, the lenders again agreed to temporarily forbear from exercising rights and remedies under the Amended and Restated Credit Agreement with respect to the Initial Technical Events of Default, as well as certain additional technical events of default including without limitation matters relating to the designation of certain immaterial conflicted subsidiaries; failure to join certain subsidiaries to the loan documents; noncompliance with cash management requirements; and inaccuracies in certain representations and warranties made as a result of the foregoing (collectively, with the Initial Technical Events of Default, the “Technical Events of Default”). The Technical Events of Default also triggered an event of default under the Omega Master Lease, which in turn triggered an additional event of default under the Amended and Restated Credit Agreement.

The October Forbearance Agreement provides for the same forbearance period as the prior forbearance agreements. Following the October Forbearance Agreement, the Administrative Agent agreed to extend the forbearance period thereunder through November 30, 2025. During the forbearance period, we are required to comply with certain additional specified conditions, including the continued maintenance of minimum liquidity of \$100 million, limitations on certain investments and acquisitions, and a prohibition on the borrowing of new loans under the Amended and Restated Credit Facility. The October Forbearance Agreement is intended to provide us with temporary relief while addressing the Technical Events of Default and does not constitute a waiver of the Technical Events of Default or amendment to the Amended and Restated Credit Agreement beyond the amended terms specified therein.

We are in active discussions with the Required Lenders regarding the terms of an amendment and waiver to our Amended and Restated Credit Facility and expect to reach an agreement following the end of the forbearance period.

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 March 31, 2025, we had \$13.9 million of borrowing capacity under the Amended and Restated Credit Facility pledged as collateral to secure outstanding letters of credit. We may enter into further 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 condensed consolidated financial statements and accompanying notes included in this report have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of these condensed consolidated financial statements requires management to make judgments, estimates and assumptions

that affect the reported amounts of assets, liabilities, cash flows, revenues and expenses, and related disclosure of contingent assets and liabilities.

See Item 7., “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, in our Annual Report for further discussion of critical accounting estimates. There were no material changes to our critical accounting policies with which the estimates are developed since December 31, 2024.

Recent Accounting Pronouncements

For a description of recently adopted and issued accounting pronouncements, see Note 3, “Summary of Significant Accounting Policies”, to our condensed consolidated financial statements, included in this report in Part I, Item I, “Financial Statements.”

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to risks associated with market changes in interest rates through our borrowing arrangements. As of March 31, 2025, we had \$142.0 million of variable rate debt, therefore 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. Accordingly, as of March 31, 2025, based on the amount of variable rate debt outstanding and the then-current SOFR rate, a hypothetical 10% increase in interest rates would have increased annual interest expense by approximately \$0.9 million and a hypothetical 10% decrease in interest rates would have decreased annual interest expense by approximately \$0.9 million.

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 March 31, 2025 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 March 31, 2025, we had outstanding indebtedness under mortgage loans insured with HUD and two promissory notes to third parties of \$259.5 million, all of which are at fixed interest rates.

The above only incorporates those exposures that exist as of March 31, 2025 and does not consider those exposures or positions which could arise after that date. For additional consideration over inflation, see Part I, Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” above.

Item 4. Controls and Procedures

Inherent Limitations on Effectiveness of Controls

In designing and evaluating our disclosure controls and procedures, management recognizes that there are inherent limitations in the effectiveness of any control system, including the potential for human error and the possible circumvention or overriding of controls and procedures. No matter how well designed and operated, an effective control system can provide only reasonable, not absolute, assurance that the control objectives of the system are adequately met. Accordingly, the management of the Company, including its Chief Executive Officer and Interim Chief Financial Officer, does not expect that the control system can prevent or detect all error or fraud. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Interim Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures, as such term is defined under Rules 13a-15(e) and 15(d)-15(e) under the Exchange Act, as of March 31, 2025. Based on that evaluation, our Chief Executive Officer and Interim Chief Financial Officer concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of March 31, 2025, due to the material weaknesses described below.

Considering the material weaknesses described below, management performed additional analysis and other procedures to ensure that our condensed consolidated financial statements were prepared in accordance with U.S. GAAP. Accordingly, management believes that the condensed consolidated financial statements included in this Quarterly Report fairly present, in all material respects, our financial position, results of operations, and cash flows as of and for the periods presented, in accordance with U.S. GAAP.

Material Weakness

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 annual or interim financial statements will not be prevented or detected on a timely basis. In connection with the preparation of our combined/consolidated financial statements for the quarterly period ended March 31, 2025, together with facts learned during the course of the Audit Committee's independent investigation, our management identified control deficiencies that, individually or in the aggregate, constitute a material weakness in our internal control over financial reporting. The material weaknesses identified by management were:

- We did not design and maintain an effective control environment commensurate with the financial reporting requirements of a public company. Specifically, we did not design and maintain sufficient processes to identify, assess, and communicate relevant risks to appropriate levels of the organization, including potential compliance issues received through the hotline process.
- In addition, we did not design and maintain adequate controls within the revenue process to appropriately recognize revenue for new services in accordance with ASC 606.

These material weaknesses led to errors in our previously issued interim condensed combined/consolidated financial statements for the three months ended March 31, 2024 and the three and six months ended June 30, 2024 (the "Prior Financial Statements"), which will be included in Part II, Item 8, of our Annual Report on Form 10-K, at Note 22 to our combined/consolidated financial statements for the year ended December 31, 2024.

Remediation Plan

Our management is committed to maintaining a strong internal control environment. In response to the identified material weaknesses above, management with the oversight of the Audit Committee, is taking comprehensive actions to remediate the above material weaknesses. Specifically, we have made, and are continuing to advance, the following enhancements to our internal control over financial reporting:

- We have retained an Interim Chief Compliance Officer ("CCO") who has extensive healthcare regulatory experience and experience advising public companies, and who reports directly to our CEO accompanied by regular reporting and access to the Audit Committee. We are in the process of hiring an experienced candidate, with both public company and post-acute healthcare experience, to serve as the permanent CCO.
- We also are in the process of recruiting additional compliance, legal and internal audit personnel to enhance our risk assessment capabilities.
- We have formed a Compliance Committee of senior management, chaired by the Interim CCO, with a detailed charter and oversight from the Audit Committee and Board of Directors.
- We have developed and launched an enhanced compliance training program throughout the organization, and have upgraded our compliance hotline and process for investigating complaints, including elevating matters that may have a financial impact to the Chief Financial Officer, Chief Accounting Officer, and Board of Directors.
- We are in the process of enhancing the controls related to revenue recognition, in which the Company's compliance team will oversee a thorough review and approval process for new billing codes prior to billing. Once

approved for use by the compliance team, these services will be reviewed in accordance with ASC 606, by the accounting function, prior to revenue recognition.

- We enhanced our Disclosure Committee process by adding sub-certifications and key personnel to specifically address the evaluation and communication of compliance and other business activities as they inform financial reporting. In addition, we are including a broader group of internal stakeholders to certain other meetings to ensure timely information is being shared which impacts financial reporting.

The material weaknesses will not be remediated until the necessary internal controls have been designed, implemented, tested and determined to be operating effectively. In addition, we may need to take additional measures to address the material weaknesses or modify the planned remediation steps, and we cannot be certain that the measures we have taken, and expect to take, to improve our internal controls will be sufficient to address the issues identified, to ensure that our internal controls are effective or to ensure that the identified material weaknesses will not result in a material misstatement of our combined/consolidated financial statements. Moreover, we cannot provide assurance that we will not identify additional material weaknesses in our internal control over financial reporting in the future. Until we remediate the material weaknesses, our ability to record, process and report financial information accurately, could be adversely affected.

Changes in Internal Control Over Financial Reporting

Other than the ongoing remediation efforts described above, there have been no changes in our internal control over financial reporting during the period ended March 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II—Other Information

Item 1. 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.

Regulatory Investigations

On April 8, 2024, Providence Administrative Consulting Services (“Providence”) and Paradise Valley Healthcare Center (“Paradise Valley”) received a Civil Investigative Demand (“CID”) from the U.S. Department of Justice (“DOJ”) requesting information and documents relating to an investigation of Paradise Valley and Providence to determine whether Paradise Valley and Providence violated the False Claims Act by submitting false claims to Medicare. The investigation relates to whether Providence and Paradise Valley improperly induced patient referrals through remuneration in violation of the Anti-Kickback Statute. The CID includes requests for information relating to referral source relationships, including relationships with medical directors and other individuals. We are cooperating with the investigation, which is ongoing.

On September 11, 2024, we received a CID from the DOJ requesting information and documents relating to an investigation of our California-based skilled nursing facilities to determine whether PACS violated the False Claims Act by submitting false claims to Medicare for reimbursement under the patient-driven payment model for skilled nursing and rehabilitation services. The CID includes requests for information relating to PACS’ practices and incentives pertaining to the completion and submission of Minimum Data Set Assessments and the resulting PDPM rates. We are cooperating with the investigation, which is ongoing.

On September 30, 2024, Providence Group, Inc. (“Providence Group”) received a CID from the DOJ requesting information and documents relating to an investigation of its skilled nursing facilities, specifically including Bishop Care Center (“Bishop”) to determine whether Providence Group violated the False Claims Act by submitting false claims to Medicare for reimbursement under the COVID-19 related Hospital Stay Waiver (otherwise known as the 1135 waiver). The CID includes requests for information relating to 1135 COVID Waiver practices at Bishop. We are cooperating with the investigation, which is ongoing.

On February 26, 2025, we received a subpoena from the DOJ per the HIPAA relating to an investigation into possible violations of various sections of 18 U.S.C. that prohibit the making of fraudulent or false statements to any branch of the government of the United States. The subpoena includes requests for information relating to PACS’ 1135 COVID Waiver practices, billing of Medicare Part B for respiratory and sensory integration therapy services, change of insurance enrollment, cost waivers for co-pays, deductibles, and co-insurance, and claim reimbursement from Medicare for bad debt. We are cooperating with the investigation, which is ongoing.

SEC Investigation

The SEC’s Division of Enforcement is conducting an investigation into matters that relate to our accounting and financial reporting and disclosure, and our internal controls over financial reporting and disclosure controls.

We are cooperating with each of the regulatory investigations identified above and the SEC investigation to produce the requested information and documentation. At this time, we cannot predict the outcome of any of these investigations and there can be no assurance that one or more of these investigations will not result in suits or actions alleging, or findings of, violations of federal or state laws that could lead to the imposition of damages, fines, penalties, restitution, other monetary liabilities, sanctions, settlements or changes to our business practices or operations that could have a material adverse effect on our business, financial condition or results of operations. The legal costs associated with responding to the regulatory investigations and SEC investigations can be substantial, regardless of the outcome.

We are unable at this time to estimate a loss or range of loss that may arise in the event that a claim is asserted against us in connection with any of these investigations for reasons including that these matters are in early stages, no factual issues have been resolved in these matters, and there is uncertainty as to the outcome of these matters, which can result in large settlement amounts or damage awards.

Litigation

The skilled nursing business involves a significant risk of liability given the age and health of the patients and residents served by our independent operating subsidiaries. We, 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, we, our 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.

Healthcare litigation (including class action litigation) is common and is filed based upon a wide variety of claims and theories. We 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. We expect the plaintiffs' bar to continue to be aggressive in their pursuit of claims.

We have been, and continue to be, subject to other 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 our evaluation of information currently available, we do not believe the results of such litigation would have a material adverse effect on our results of operations, financial position or cash flows, taken as a whole. However, our 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.

For example, we have been subjected to, and are currently involved in, litigation alleging violations of state and federal wage and hour laws resulting from the alleged failure to pay wages, to timely provide and authorize meal and rest breaks, and related causes of action.

In addition to the litigation described above, we are also subject to the following litigation:

Litigation -- Shareholder Derivative Actions

On November 13, 2024, a putative securities class action captioned *Manchin v. PACS Group, Inc., et al*, Case No. 1:24-cv-08636-LJL (S.D.N.Y.) ("*Manchin Action*") was filed against us, individual defendants Jason Murray, Derick Apt, Mark Hancock, Jacqueline Millard, and Taylor Leavitt; and underwriter defendants 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., and Regions Securities LLC. The complaint brings claims under Sections 11 and 15 of the Securities Act, and Section 10(b), and 20(a) of the Exchange Act, and alleges we and our leadership engaged in a multi-year scheme to inflate revenue and profitability by (i) exploiting a COVID-era Medicare waiver to "flip" long-term Medicaid patients to higher-paying Medicare coverage, (ii) billing unnecessary Medicare Part B respiratory and sensory integration therapies, and (iii) falsifying licensure and staffing documentation. On January 7, 2025, the court consolidated the *Manchin* action with a similar action brought by plaintiff New Orleans Employees' Retirement System, and on February 11, 2025 the court appointed 1199SEIU Health Care Employees Pension Fund as lead plaintiff, and its counsel, Labaton Keller Sucharow LLP, as lead counsel. Pursuant to the parties' stipulation and as ordered by the court on May 29, 2025, the Lead Plaintiff's consolidated complaint is not due until 14 days after we file our Quarterly Report on Form 10-Q for the period ended September 30, 2024 and our Annual Report on Form 10-K for the year ended December 31, 2024. Defendants' motion to dismiss the consolidated complaint is due 60 days after the complaint is filed, Plaintiffs' opposition is due 60 days after the filing of the motion to dismiss, and Defendants' reply is due 45 days after the filing of the opposition.

On February 14, 2025, a derivative action originally filed by plaintiff Theresa Howard-Hines ("*Howard-Hines Action*") captioned *IN RE PACS GROUP, INC. DERIVATIVE LITIGATION* Lead Case No. 1:25-cv-01343-LJL (S.D.N.Y.) was filed against defendants Jason Murray, Derick Apt, Mark Hancock, Michelle Lewis, Jacqueline Millard, Taylor Leavitt, and Evelyn Dilsaver, with the Company named as nominal defendant. The complaint brings claims of breach of fiduciary duties, unjust enrichment, waste of corporate assets, and contribution, based on substantially similar allegations as in the *Manchin Action*. On April 8, 2025, the court consolidated the *Howard-Hines* action with a similar derivative action filed by plaintiff Adam Beckman, under the name *In re PACS Group, Inc. Derivative Litigation*. On June 9, 2025, the parties filed a joint stipulation staying the action until the earlier of the dismissal of the *Manchin Action*, the denial of any motion to dismiss in the *Manchin Action*, or the termination of the stay.

On August 19, 2025, a derivative action captioned *Boers v. Murray, et. al.*, Case No. 1:25-cv-00119-DAK-DBP (D. Utah) was filed against the same defendants and alleging substantially the same claims and theories as *IN RE PACS GROUP, INC. DERIVATIVE LITIGATION*. The defendants have not yet been served in this action. The parties have tentatively agreed to stay the Utah Derivative Action pending resolution of the anticipated motion to dismiss the securities class action. No dispositive rulings have issued, discovery is not proceeding, and there are no settlement ranges or agreements in principle. Future developments may include motions to dismiss and other dispositive motions, and potential coordination with the securities class action if the stays are lifted.

Legal proceedings can be complex and take many months, or even years, to reach resolution, with the final outcome depending on a number of variables, some of which are not within our control. Therefore, although we will vigorously defend ourself in each of the actions described above and any other legal proceedings, their ultimate resolution and potential financial and other impacts on us are uncertain but could be material. 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, interim or final rulings.

Item 1A. Risk Factors

There have been no material changes to the risk factors previously included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, filed with the SEC on November 19, 2025, under the heading “Risk Factors”.

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

Recent Sales of Unregistered Securities

None.

Use of Proceeds

None.

Purchases of Equity Securities by the Issuer or Affiliated Purchasers

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended March 31, 2025, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits
EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference				
		Form	File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
3.1	Amended and Restated Certificate of Incorporation of PACS Group, Inc.	8-K	001-42011	3.1	4/15/2024	
3.2	Amended and Restated Bylaws of PACS Group, Inc.	8-K	001-42011	3.2	4/15/2024	
10.1	Third Amendment to Amended and Restated Credit Agreement, dated as of March 27, 2025 by and among PACS Group, Inc., PACS Holdings, LLC, Truist Bank and the lenders party thereto					*
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer					*
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer					*
32.1	Section 1350 Certification of Principal Executive Officer					**
32.2	Section 1350 Certification of Principal Financial Officer					**
101.INS	Inline XBRL Instance Document					*
101.SCH	Inline XBRL Taxonomy Extension Schema Document					*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					*
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)					*

* Filed herewith.

** The certifications attached as Exhibit 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the U.S. Securities and Exchange Commission and are not to be incorporated by reference into any filing of PACS Group, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

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

PACS GROUP, INC.

Date: November 19, 2025

By: /s/ Jason Murray
Jason Murray
Director, Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: November 19, 2025

By: /s/ Mark Hancock
Mark Hancock
Director, Executive Vice Chairman, and Interim Chief Financial Officer
(Principal Financial Officer)

THIRD AMENDMENT TO CREDIT AGREEMENT

This **THIRD AMENDMENT TO CREDIT AGREEMENT** (this “Agreement”) is made and entered into as of March 27, 2025, by and among **PACS GROUP, INC.**, a Delaware corporation (“Holdings”), **PACS HOLDINGS, LLC**, a Delaware limited liability company (the “Borrower”), the Lenders party hereto and **TRUIST BANK**, as Administrative Agent.

WITNESSETH:

WHEREAS, Holdings, the Borrower, the Lenders and the Administrative Agent are party to that certain Amended and Restated Credit Agreement, dated as of December 7, 2023 (as amended, restated, amended and restated, supplemented, or otherwise modified from time to time, the “Credit Agreement”);

WHEREAS, the Borrower has requested that the Administrative Agent and the Lenders agree to amend certain provisions of the Credit Agreement as set forth herein, and the Administrative Agent and the Lenders party hereto have agreed to such amendments, in each case subject to the terms and conditions hereof.

NOW, THEREFORE, for and in consideration of the above premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties hereto, each of the parties hereto hereby covenants and agrees as follows:

SECTION 1. Definitions. Unless otherwise specifically defined herein, each term used herein (including in the preamble and the recitals above) which is defined in the Credit Agreement shall have the meaning assigned to such term in the Credit Agreement, as amended hereby. Each reference to “hereof,” “hereunder,” “herein,” and “hereby” and each other similar reference and each reference to “this Agreement” and each other similar reference contained in the Credit Agreement shall from and after the date hereof refer to the Credit Agreement as amended hereby.

SECTION 2. Amendments.

(a) Section 3.2 of the Credit Agreement is hereby amended (i) to delete the “and” at the end of clause (c); (ii) to delete the “.” at the end of clause (d) and replace it with “; and” and (iii) by adding the following new clause (e) thereto:

(b) (e) unless the Required Revolving Lenders otherwise agree in writing (which may be by e-mail), the Borrower shall have delivered all of the financial statements and other information required by Section 5.1(a) and the corresponding Compliance Certificate required by Section 5.1(c) for the Fiscal Year of Holdings ended December 31, 2024 (regardless of whether such financial statements, other information and Compliance Certificate are then required to have been delivered pursuant such Sections 5.1(a) and 5.1(c), respectively).

(c) Section 5.1(a) of the Credit Agreement is hereby amended so that it reads, in its entirety, as follows:

(a) as soon as available and in any event within 90 days (or, with respect to the Fiscal Year ended December 31, 2024, 135 days (or such later date as may be agreed to in writing (which may be by e-mail) by the Administrative Agent in its sole discretion (which later date may not be later than 150 days unless agreed to in writing (which may be by e-mail) by the Required Lenders))) after the end of each Fiscal Year of Holdings (commencing with the Fiscal Year ended December 31, 2023), a copy of the annual audited report for such Fiscal Year for Holdings and its Subsidiaries, containing a consolidated balance sheet of Holdings and its Subsidiaries as of the end of such Fiscal Year and the related consolidated statements of income, stockholders' equity and cash flows (together with all footnotes thereto) of Holdings and its Subsidiaries for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all in reasonable detail and reported on by Ernst & Young LLP or other independent public accountants of nationally recognized standing (without a "going concern" or like qualification, exception or explanation and without any qualification or exception as to the scope of such audit (other than any "going concern" or similar qualification or exception related to the maturity of the Obligations)) to the effect that such financial statements present fairly in all material respects the financial condition and the results of operations of Holdings and its Subsidiaries for such Fiscal Year on a consolidated basis in accordance with GAAP, and that the examination by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards, and together with a management discussion and analysis with respect thereto;

(d) Sections 8.1(d) and (e) of the Credit Agreement are hereby amended so that they read, in their entirety, as follows:

(d) Holdings or the Borrower shall fail to observe or perform any covenant or agreement contained in Section 5.1(a) (solely with respect to the reporting for the Fiscal Year ended December 31, 2024), Section 5.1(c) (solely with respect to the Compliance Certificate for the Fiscal Year ended December 31, 2024), Section 5.2(a), Section 5.3 (with respect to the Borrower's legal existence), Section 5.11, Section 5.16, Section 5.18 or Article VI or VII; or

(e) (i) any Loan Party shall fail to observe or perform any covenant or agreement contained in Section 5.1 (other than Section 5.1(a) (solely with respect to the reporting for the Fiscal Year ended December 31, 2024) and Section 5.1(c) (solely with respect to the Compliance Certificate for the Fiscal Year ended December 31, 2024)), or Section 5.2 (other than Section 5.2(a)), and such failure shall remain unremedied for fifteen (15) days after the earlier of (x) any Responsible Officer of the Borrower becomes aware of such failure, or (y) notice thereof shall have been given to the Borrower by the Administrative Agent or any Lender, or (ii) any Loan Party shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those referred to in subsections (a), (b), (d) and (e) (i) of this Section) or any other Loan Document or related to any Bank Product Obligation, and such failure shall remain unremedied for 30 days after the earlier of (x) any Responsible Officer of the Borrower becomes aware of such failure, or (y) notice thereof shall have been given to the Borrower by the Administrative Agent or any Lender; or

SECTION 3. Conditions Precedent. This Agreement shall become effective only upon satisfaction or waiver of each of the following conditions:

(a) The Administrative Agent's receipt of this Agreement duly executed by each of (i) Holdings, (ii) the Borrower, (iii) the Required Lenders and (iv) the Administrative Agent; and

(b) the Borrower shall have paid all reasonable, documented out-of-pocket costs and expenses of the Administrative Agent due and payable on or prior to the date hereof, including, without limitation, reasonable fees, charges and disbursements of counsel for the Administrative Agent.

SECTION 4. Representations and Warranties. Each of Holdings and the Borrower hereby represents and warrants to the Administrative Agent and the Lenders that:

(a) Each of the representations and warranties made by it set forth in the Loan Documents is true and correct in all material respects as of the date hereof, unless such representation or warranty expressly relates to an earlier date, in which case such representation or warranty is true and correct in all material respects as of such earlier date (other than those representations and warranties that are expressly qualified by a Material Adverse Effect or other materiality, in which case such representations and warranties are true and correct in all respects);

(b) As of the date hereof, immediately after giving effect to this Agreement, there exists no Default or Event of Default;

(c) It has the power and is duly authorized to enter into, deliver, and perform this Agreement; and

(d) This Agreement is the legal, valid, and binding obligation of each of Holdings and the Borrower enforceable against it in accordance with its terms, except to the extent that the enforceability hereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditor's rights generally or by general principles of equity.

SECTION 5. Miscellaneous Terms.

(a) Loan Document. For avoidance of doubt, Holdings, the Borrower, the Lenders party hereto and the Administrative Agent each hereby acknowledges and agrees that this Agreement is a Loan Document.

(b) Effect of Agreement. Except as set forth expressly herein, all terms of the Credit Agreement and the other Loan Documents shall be and remain in full force and effect, and shall constitute the legal, valid, binding, and enforceable obligations of the Loan Parties.

(c) No Novation or Mutual Departure. Each of Holdings and the Borrower expressly acknowledges and agrees that (i) there has not been, and this Agreement does not constitute or establish, a novation with respect to the Credit Agreement or any of the other Loan Documents, or a mutual departure from the strict terms, provisions, and conditions thereof, other than with respect to the amendments contained in Section 2 above and (ii) nothing in this Agreement shall affect or limit the Administrative Agent's or any Lender's right to demand payment of liabilities owing from the Borrower or any other Loan Party to the Administrative Agent or the Lenders under, or to demand strict performance of the terms, provisions, and conditions of, the Credit Agreement and the other Loan Documents, to exercise any and all rights, powers, and remedies under the Credit Agreement or the other Loan Documents or at law or in equity, or to do any and

all of the foregoing, immediately at any time after the occurrence of an Event of Default under the Credit Agreement or the other Loan Documents. Notwithstanding the foregoing, to the extent that an Event of Default has occurred as a result of a failure to timely deliver the budget for the Fiscal Year ending December 31, 2025, the Lenders hereby waive any such Event of Default (provided that such waiver shall be effective only in this specific instance and only for the specific purpose set forth herein and does not allow for any other or further modification of or deviation from the terms and conditions of the Credit Agreement or any other Loan Document, which terms and conditions shall remain in full force and effect).

(d) Ratification. Each of Holdings and the Borrower, on its own behalf and on behalf of each other Loan Party, hereby (i) restates, ratifies, and reaffirms all of its obligations and covenants set forth in the Credit Agreement and the other Loan Documents to which it is a party effective as of the date hereof and (ii) restates and renews each and every representation and warranty heretofore made by it in the Credit Agreement and the other Loan Documents as fully as if made on the date hereof and with specific reference to this Agreement and any other Loan Documents executed or delivered in connection herewith (except with respect to representations and warranties made as of an expressed date, in which case such representations and warranties shall be true and correct as of such date).

(e) Claims. To induce the Administrative Agent and the Lenders to enter into this Agreement, each of Holdings and the Borrower, on its own behalf and on behalf of each other Loan Party, hereby acknowledges and agrees that, as of the date hereof, and after giving effect to the terms hereof, there exists no right of offset, defense, counterclaim, claim, or objection in favor of itself or any other Loan Party or arising out of or with respect to any of the Loans or other obligations of itself or any other Loan Party owed to the Administrative Agent and the Lenders under the Credit Agreement or any other Loan Document.

(f) Release. In consideration of the agreements contained herein, each of Holdings and the Borrower, on its own behalf and on behalf of each other Loan Party, hereby waives and releases the Administrative Agent and each of the Lenders and their respective directors, partners, officers, employees and agents, from any and all claims and defenses, known or unknown as of the date of this Agreement, with respect to the Credit Agreement, the other Loan Documents and the transactions contemplated thereby on or before the date of this Agreement.

(g) Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same instrument.

(h) Fax or Other Transmission. Delivery by one or more parties hereto of an executed counterpart of this Agreement via facsimile, telecopy, other electronic method of transmission pursuant to which the signature of such party can be seen (including, without limitation, Adobe Corporation's Portable Document Format) or electronic signature as permitted by Section 10.16 of the Credit Agreement shall have the same force and effect as the delivery of an original executed counterpart of this Agreement. Any party so delivering an executed counterpart of this Agreement by facsimile, telecopy, other electronic method of transmission or electronic signature shall also deliver an original executed counterpart, but the failure to do so shall not affect the validity, enforceability, or binding effect of this Agreement.

(i) Recitals Incorporated Herein. The preamble and the recitals to this Agreement are hereby incorporated herein by this reference.

(j) Section References. Section titles and references used in this Agreement shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreements among the parties hereto evidenced hereby.

(k) Governing Law. This Agreement shall be governed by and construed and interpreted in accordance with the internal laws of the State of New York but excluding any principles of conflicts of law or other rule of law that would cause the application of the law of any jurisdiction other than the laws of the State of New York.

(l) Severability. Any provision of this Agreement which is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof in that jurisdiction or affecting the validity or enforceability of such provision in any other jurisdiction.

(Signature pages follow)

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed by its duly authorized officer as of the day and year first above written.

HOLDINGS:

PACS GROUP, INC.

By: /s/ Derick Apt
Name: Derick Apt
Title: Chief Financial Officer

BORROWER:

PACS HOLDINGS, LLC

By: /s/ Derick Apt
Name: Derick Apt
Title: Chief Financial Officer

TRUIST BANK,
as the Administrative Agent and a Lender

By: /s/ Alexandra Korchmar
Name: Alexandra Korchmar
Title: Vice President

CITIBANK, N.A.,
as a Lender

By: /s/ Nicholas Bancroft
Name: Nicholas Bancroft
Title: Authorized Signer

JPMORGAN CHASE BANK, N.A.,
as a Lender

By: /s/ Maurice Dattas
Name: Maurice Dattas
Title: Vice President

KEYBANK NATIONAL ASSOCIATION,
as a Lender

By: /s/ Patrick Gilbreath _____
Name: Patrick Gilbreath
Title: Vice President

REGIONS BANK,
as a Lender

By: /s/ Allen T. Riley _____
Name: Allen T. Riley
Title: Director

ROYAL BANK OF CANADA,
as a Lender

By: /s/ Sean Young
Name: Sean Young
Title: Authorized Signatory

BOKF NA, DBA BOK FINANCIAL,
as a Lender

By: /s/ Rett E. Deinlein
Name: Rett E. Deinlein
Title: Senior Vice President

UBS AG, STAMFORD BRANCH,
as a Lender

By: /s/ Joselin A Fernandes
Name: Joselin A Fernandes
Title: Director

By: /s/ Larcy Naval
Name: Larcy Naval
Title: Director

CERTIFICATION

I, Jason Murray, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PACS Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [omitted];
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 19, 2025

By: /s/ Jason Murray

Jason Murray

Director, Chairman and Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION

I, Mark Hancock, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PACS Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [omitted];
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 19, 2025

By: /s/ Mark Hancock

Mark Hancock
Director, Executive Vice Chairman, Interim Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Quarterly Report on Form 10-Q of PACS Group, Inc. (the “Company”) for the period ended March 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 19, 2025

By: /s/ Jason Murray

Jason Murray

Director, Chairman and Chief Executive Officer

(Principal Executive Officer)

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

In connection with the Quarterly Report on Form 10-Q of PACS Group, Inc. (the “Company”) for the period ended March 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 19, 2025

By: /s/ Mark Hancock

Mark Hancock
Director, Executive Vice Chairman, Interim Chief Financial Officer
(Principal Financial Officer)