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 June 30, 2024

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: 1-13445

Sonida Senior Living, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**75-2678809**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
14755 Preston Road, Suite 810, Dallas, Texas	**75254**
(Address of principal executive offices)	**(Zip code)**

(972) 770-5600
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, $0.01 par value per share	SNDA	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, 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 a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 8, 2024, the Registrant had 14,240,746 shares of common stock outstanding.

Sonida Senior Living, Inc.
Form 10-Q Table of Contents
For the Period Ended June 30, 2024

	Page Number
Part I. Financial Information	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets — June 30, 2024 (Unaudited) and December 31, 2023	4
Condensed Consolidated Statements of Operations — Three and Six Months Ended June 30, 2024 and 2023 (Unaudited)	5
Condensed Consolidated Statements of Shareholders' Equity (Deficit)— Three and Six Months Ended June 30, 2024 and 2023 (Unaudited)	6
Condensed Consolidated Statements of Cash Flows — Six Months Ended June 30, 2024 and 2023 (Unaudited)	7
Notes to Condensed Consolidated Financial Statements (Unaudited)	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	26
Item 3. Quantitative and Qualitative Disclosures About Market Risk	33
Item 4. Controls and Procedures	33
Part II. Other Information	35
Item 1. Legal Proceedings	35
Item 1A. Risk Factors	35
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	35
Item 3. Defaults Upon Senior Securities	35
Item 4. Mine Safety Disclosures	35
Item 5. Other Information	35
Item 6. Exhibits	36
Signature	37

Cautionary Note Regarding Forward-Looking Statements

Certain information contained in this Quarterly Report on Form 10-Q of Sonida Senior Living, Inc. (together with its consolidated subsidiaries, “Sonida,” “we,” “our,” “us,” or the “Company”) constitutes “forward-looking statements” within the meaning of 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. All statements, other than statements of historical facts included in this Quarterly Report on Form 10-Q, including, without limitation, those relating to the Company’s future business prospects and strategies, financial results, working capital, liquidity, capital needs and expenditures, interest costs, insurance availability and contingent liabilities, are forward-looking statements. Forward-looking statements can be identified by the use of forward-looking terminology such as “may,” “will,” “would,” “intend,” “could,” “believe,” “expect,” “anticipate,” “project,” “plans,” “estimate” or “continue” or the negatives thereof or other variations thereon or comparable terminology.

Forward-looking statements are subject to certain risks and uncertainties that could cause the Company’s actual results and financial condition to differ materially from those indicated in the forward-looking statements, including, among others, the risks, uncertainties and factors set forth under “Item. 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission (the “SEC”) on March 27, 2024, as well as “Item. 1A. Risk Factors” in this Quarterly Report on Form 10-Q, and also include the following:

- the Company’s ability to generate sufficient cash flows from operations, additional proceeds from equity issuances and debt financings, and proceeds from the sale of assets to satisfy its short- and long-term debt obligations and to fund the Company’s acquisitions and capital improvement projects to expand, redevelop, and/or reposition its senior living communities;
- increases in market interest rates that increase the cost of certain of our debt obligations;
- increased competition for, or a shortage of, skilled workers, including due to general labor market conditions, along with wage pressures resulting from such increased competition, low unemployment levels, use of contract labor, minimum wage increases and/or changes in overtime laws;
- the Company’s ability to obtain additional capital on terms acceptable to it;
- the Company’s ability to extend or refinance its existing debt as such debt matures;
- the Company’s compliance with its debt agreements, including certain financial covenants, and the risk of cross-default in the event such non-compliance occurs;
- the Company’s ability to complete acquisitions and dispositions upon favorable terms or at all, including the possibility that the expected benefits and our projections related to such acquisitions may not materialize as expected;
- the risk of oversupply and increased competition in the markets which the Company operates;
- the Company’s ability to improve and maintain controls over financial reporting and remediate the identified material weakness discussed in Item 4 of Part I of this Quarterly Report on Form 10-Q;
- the cost and difficulty of complying with applicable licensure, legislative oversight, or regulatory changes;
- risks associated with current global economic conditions and general economic factors such as inflation, the consumer price index, commodity costs, fuel and other energy costs, competition in the labor market, costs of salaries, wages, benefits, and insurance, interest rates, and tax rates;
- the impact from or the potential emergence and effects of a future epidemic, pandemic, outbreak of infectious disease or other health crisis; and
- changes in accounting principles and interpretations.

We caution you that the risks, uncertainties and other factors referenced above may not contain all of the risks, uncertainties and other factors that are important to you. In addition, we cannot assure you that we will realize the results, benefits or outcomes that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected. All forward-looking statements in this Quarterly Report on Form 10-Q apply only as of the date made and are expressly qualified in their entirety by the cautionary statements included in this Quarterly Report on Form 10-Q. Except as required by applicable law, we undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

Sonida Senior Living, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except per share amounts)

	June 30, 2024	December 31, 2023
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 9,491	$ 4,082
Restricted cash	14,292	13,668
Accounts receivable, net	9,145	8,017
Prepaid expenses and other assets	5,231	4,475
Derivative assets	2,071	2,103
Total current assets	40,230	32,345
Property and equipment, net	587,516	588,179
Investment in unconsolidated entity	22,307	—
Other assets, net	2,194	936
Total assets	$ 652,247	$ 621,460
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 8,951	$ 11,375
Accrued expenses	37,324	42,388
Current portion of notes payable, net of deferred loan costs	2,235	42,323
Deferred income	4,356	4,041
Federal and state income taxes payable	93	215
Other current liabilities	599	519
Total current liabilities	53,558	100,861
Notes payable, net of deferred loan costs and current portion	581,520	587,099
Other long-term liabilities	31	49
Total liabilities	635,109	688,009
Commitments and contingencies (Note 11)		
Redeemable preferred stock:		
Series A convertible preferred stock, $0.01 par value; 41 shares authorized, 41 shares issued and outstanding as of June 30, 2024 and December 31, 2023	51,248	48,542
Shareholders' deficit:		
Preferred stock, $0.01 par value:		
Authorized shares - 15,000 as of June 30, 2024 and December 31, 2023; none issued or outstanding, except Series A convertible preferred stock as noted above	—	—
Common stock, $0.01 par value:		
Authorized shares - 30,000 and 15,000 as of June 30, 2024 and December 31, 2023, respectively; 14,190 and 8,178 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	142	82
Additional paid-in capital	366,710	302,992
Retained deficit	(400,962)	(418,165)
Total shareholders' deficit	(34,110)	(115,091)
Total liabilities, redeemable preferred stock and shareholders' deficit	$ 652,247	$ 621,460

See Notes to Condensed Consolidated Financial Statements.

Sonida Senior Living, Inc.
Condensed Consolidated Statements of Operations (Unaudited)
(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenues:				
Resident revenue	$ 63,108	$ 56,960	$ 123,845	$ 113,566
Management fees	720	531	1,314	1,036
Managed community reimbursement revenue	6,379	5,363	12,486	10,325
Total revenues	70,207	62,854	137,645	124,927
Expenses:				
Operating expense	45,981	44,662	92,298	88,470
General and administrative expense	9,178	6,574	16,389	13,637
Depreciation and amortization expense	10,067	9,927	20,002	19,808
Managed community reimbursement expense	6,379	5,363	12,486	10,325
Total expenses	71,605	66,526	141,175	132,240
Other income (expense):				
Interest income	387	188	526	382
Interest expense	(8,964)	(8,558)	(17,555)	(17,425)
Gain on extinguishment of debt, net	—	—	38,148	36,339
Loss from equity method investment	(35)	—	(35)	—
Other income (expense), net	253	(117)	(226)	72
Income (loss) before provision for income taxes	(9,757)	(12,159)	17,328	12,055
Provision for income taxes	(59)	(53)	(125)	(122)
Net income (loss)	(9,816)	(12,212)	17,203	11,933
Undeclared dividends on Series A convertible preferred stock	(1,372)	(1,230)	(2,707)	(2,428)
Undistributed net income allocated to participating securities	—	—	(1,425)	(1,419)
Net income (loss) attributable to common stockholders	$ (11,188)	$ (13,442)	$ 13,071	$ 8,086
Weighted average common shares outstanding — basic	13,014	6,381	11,438	6,374
Weighted average common shares outstanding — diluted	13,014	6,381	12,143	6,856
Basic net income (loss) per common share	$ (0.86)	$ (2.11)	$ 1.14	$ 1.27
Diluted net income (loss) per common share	$ (0.86)	$ (2.11)	$ 1.08	$ 1.18

See Notes to Condensed Consolidated Financial Statements.

Sonida Senior Living, Inc.
Condensed Consolidated Statements of Shareholders' Equity (Deficit) (Unaudited)
(in thousands)

	Common Stock		Additional Paid-In Capital	Retained Deficit	Total
	Shares	Amount			
Balance as of December 31, 2022	6,670	$ 67	$ 295,277	$ (397,058)	$ (101,714)
Undeclared dividends on Series A convertible preferred stock	—	—	(1,198)	—	(1,198)
Stock-based plan activity	272	2	(17)	—	(15)
Non-cash stock-based compensation	—	—	902	—	902
Net income	—	—	—	24,145	24,145
Balance as of March 31, 2023	6,942	69	294,964	(372,913)	(77,880)
Undeclared dividends on Series A convertible preferred stock	—	—	(1,230)	—	(1,230)
Issuance of common stock, net of issuance costs	68	1	(1)	—	—
Stock-based plan activity	168	2	(14)	—	(12)
Non-cash stock-based compensation	—	—	601	—	601
Net loss	—	—	—	(12,212)	(12,212)
Balance as of June 30, 2023	7,178	$ 72	$ 294,320	$ (385,125)	$ (90,733)

	Common Stock		Additional Paid-In Capital	Retained Deficit	Total
	Shares	Amount			
Balance as of December 31, 2023	8,178	$ 82	$ 302,992	$ (418,165)	$ (115,091)
Issuance of common stock, net of issuance costs	5,026	50	47,591	—	47,641
Undeclared dividends on Series A convertible preferred stock	—	—	(1,335)	—	(1,335)
Stock-based plan activity	(7)	—	(213)	—	(213)
Non-cash stock-based compensation	—	—	575	—	575
Net income	—	—	—	27,019	27,019
Balance as of March 31, 2024	13,197	132	349,610	(391,146)	(41,404)
Issuance of common stock, net of issuance costs	616	6	17,432	—	17,438
Undeclared dividends on Series A convertible preferred stock	—	—	(1,372)	—	(1,372)
Stock-based plan activity	377	4	(171)	—	(167)
Non-cash stock-based compensation	—	—	1,211	—	1,211
Net loss	—	—	—	(9,816)	(9,816)
Balance as of June 30, 2024	14,190	$ 142	$ 366,710	$ (400,962)	$ (34,110)

See Notes to Condensed Consolidated Financial Statements.

Sonida Senior Living, Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Six Months Ended June 30,	
	2024	**2023**
Cash flows from operating activities:		
Net income	$ 17,203	$ 11,933
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	20,002	19,808
Amortization of deferred loan costs	722	788
Gain on sale of assets, net	(192)	(251)
Loss on derivative instruments, net	1,606	1,103
Gain on extinguishment of debt	(38,148)	(36,339)
Loss from equity method investment	35	—
Provision for bad debt	881	334
Non-cash stock-based compensation expense	1,786	1,503
Other non-cash items	(3)	(1)
Changes in operating assets and liabilities:		
Accounts receivable, net	(2,008)	(1,807)
Prepaid expenses and other assets	(756)	1,316
Other assets, net	(199)	294
Accounts payable and accrued expense	(2,791)	6,100
Federal and state income taxes payable	(122)	61
Deferred income	315	723
Other current liabilities	45	(28)
Net cash provided by (used in) operating activities	(1,624)	5,537
Cash flows from investing activities:		
Acquisition of unconsolidated entities	(22,342)	—
Community acquisition	(11,105)	—
Capital expenditures	(9,899)	(9,698)
Proceeds from sale of assets	631	343
Net cash used in investing activities	(42,715)	(9,355)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of issuance costs	65,079	—
Proceeds from notes payable	36,648	—
Repayments of notes payable	(48,475)	(5,893)
Purchase of interest rate cap	(1,851)	—
Deferred loan costs paid	(633)	(327)
Other financing costs	(396)	(84)
Net cash provided by (used in) financing activities	50,372	(6,304)
Increase (decrease) in cash and cash equivalents and restricted cash	6,033	(10,122)
Cash, cash equivalents, and restricted cash at beginning of period	17,750	30,742
Cash, cash equivalents, and restricted cash at end of period	$ 23,783	$ 20,620
Supplemental Disclosures of Cash Flow Information		
Cash paid during the period for:		
Interest	$ 14,016	$ 14,459
Income taxes paid (refunds received), net	$ 237	$ 76
Non-cash investing and financing activities:		
Undeclared dividends on Series A convertible preferred stock	$ 2,707	$ 2,428
Non-cash additions of property and equipment	$ 1,831	$ 1,788

See Notes to Condensed Consolidated Financial Statements.

Sonida Senior Living, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

Organization and Business

Sonida Senior Living, Inc., a Delaware corporation (together with its subsidiaries, the "Company," "we," "our," "us," or "Sonida"), is a leading owner, operator and investor of senior housing communities in the United States in terms of resident capacity. The Company owns, operates, manages and invests in senior housing communities throughout the United States. As of June 30, 2024, the Company operated 78 senior housing communities in 19 states with an aggregate capacity of approximately 8,700 residents[1], including 66 owned senior housing communities (4 through a joint venture investment in an unconsolidated entity) and 12 communities that the Company third-party manages.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the financial statements of Sonida Senior Living, Inc. and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation. The Company reports investments in unconsolidated entities over whose operating and financial policies it has the ability to exercise significant influence under the equity method of accounting.

The Company evaluates its potential variable interest entity ("VIE") relationships under certain criteria as provided for in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810, Consolidation ("ASC 810"). ASC 810 broadly defines a VIE as an entity with one or more of the following characteristics: (a) the total equity investment at risk is insufficient to finance the entity's activities without additional subordinated financial support; (b) as a group, the holders of the equity investment at risk lack (i) the ability to make decisions about the entity's activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; or (c) the equity investors have voting rights that are not proportional to their economic interests, and substantially all of the entity's activities either involve, or are conducted on behalf of, an investor that has disproportionately few voting rights. The Company performs this evaluation on an ongoing basis and consolidates any VIEs for which the Company is determined to be the primary beneficiary, as determined by the Company's power to direct the VIEs activities and the obligation to absorb its losses or the right to receive its benefits, which are potentially significant to the VIE. As of June 30, 2024, the Company has a joint venture, Stone JV LLC ("Stone") that is treated as an unconsolidated entity. See "Note 3–Acquisition and Investments." The Company does not have any VIEs that are consolidated.

Interim Unaudited Financial Information

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted from this Quarterly Report on Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The results for the interim periods shown in this report are not necessarily indicative of future financial results. The accompanying condensed consolidated financial statements have not been audited by our independent registered public accounting firm. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, including normal recurring items, necessary to present fairly our condensed consolidated financial position as of June 30, 2024 and December 31, 2023, and our condensed consolidated results of operations and cash flows for the periods ended June 30, 2024 and 2023.

Reclassifications

Certain amounts previously reflected in the prior year condensed consolidated financial statements have been reclassified to conform to our June 30, 2024 presentation. The condensed consolidated statements of operations for the six months ended June 30, 2023 include the reclassification of "gain on sale of assets" to "other income (expense), net."

[1] Capacity disclosures in these footnotes to the condensed consolidated financial statements are outside the scope of our independent registered accounting firm's review.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. These estimates include such items related to the accounting for: income taxes, including assessments of probabilities of realization of income tax benefits; other contingencies; allowances for uncollectible accounts receivable; impairment of long-lived assets, including applicable cash flow projections, holding periods and fair value evaluations; self-insurance liabilities and expense; stock-based compensation; fair values of assets and liabilities acquired in asset acquisitions, fair values of our equity method investments; and depreciation and amortization including determination of estimated useful lives. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies

Cash, Cash Equivalents, and Restricted Cash

The Company considers all highly liquid investments with original maturities of three months or less at the date of acquisition to be cash equivalents. The Company has deposits in banks that exceed Federal Deposit Insurance Corporation insurance limits. Management believes that credit risk related to these deposits is minimal. Restricted cash consists of reserve accounts for property insurance, real estate taxes, capital expenditures, derivatives, and debt service required by certain loan agreements. In addition, restricted cash includes deposits required by certain counterparties as collateral pursuant to letters of credit which must remain so long as the letters of credit are outstanding, which are subject to renewal annually.

The following table sets forth our cash, cash equivalents, and restricted cash (in thousands):

	June 30, 2024	December 31, 2023
Cash and cash equivalents	$ 9,491	$ 4,082
Restricted cash:		
Property tax and insurance reserves	4,757	7,237
Lender reserves	5,831	3,329
Capital expenditures reserves	3,470	2,060
Escrow deposit	—	1,000
Deposits pursuant to outstanding letters of credit	42	42
Other reserves	192	—
Total restricted cash	14,292	13,668
Total cash, cash equivalents, and restricted cash	$ 23,783	$ 17,750

Long-Lived Assets

Property and equipment are stated at cost and depreciated on a straight-line basis over the estimated useful lives of the assets. At each balance sheet date, the Company reviews the carrying value of its property and equipment to determine if facts and circumstances suggest that they may be impaired or that the depreciation period may need to be changed. The Company considers internal factors such as net operating losses along with external factors relating to each asset, including contract changes, local market developments, and other publicly available information to determine whether impairment indicators exist.

If an indicator of impairment is identified, recoverability of an asset group is assessed by comparing its carrying amount to the estimated future undiscounted net cash flows expected to be generated by the asset group through operation or disposition, calculated utilizing the lowest level of identifiable cash flows. If this comparison indicates that the carrying amount of an asset group is not recoverable, the Company estimates fair value of the asset group and records an impairment loss when the carrying amount exceeds fair value. There were no impairments on long-lived assets during the six months ended June 30, 2024 and 2023.

In evaluating our long-lived assets for impairment, we undergo continuous evaluations of property level performance and real estate trends, and management makes several estimates and assumptions, including, but not limited to, the projected date of disposition, estimated sales price, and future cash flows of each property during our estimated holding period. If our analysis or assumptions regarding the projected cash flows expected to result from the use and eventual disposition of our properties

change, we incur additional costs and expenses during the holding period, or our expected hold periods change, we may incur future impairment losses.

Upon the acquisition of new communities accounted for as an acquisition of assets, we recognize the assets acquired and the liabilities assumed as of the acquisition date, measured at their relative fair values using Level 3 inputs at the date of acquisition once we have determined the fair value of each of these assets and liabilities. The acquisition date is the date on which we obtain control of the real estate property. The assets acquired and liabilities assumed consist of land, inclusive of associated rights, buildings, assumed debt, and identified intangible assets and liabilities. See "Note 4–Property and Equipment, net."

Investment in Unconsolidated Entities

The Company reports investments in unconsolidated entities that it has the ability to exercise significant influence under the equity method of accounting. The initial carrying amount of investments in unconsolidated entities is based on the amount paid to purchase the investment. The Company's reported share of earnings from an unconsolidated entity is adjusted for the impact, if any, of basis differences between its carrying amount of the equity investment and its share of the investment's underlying assets. Distributions received from an investee are recognized as a reduction in the carrying amount of the investment.

The Company evaluates the realization of its investments in ventures accounted for using the equity method if circumstances indicate that the Company's investments are other than temporarily impaired. A current fair value of an investment that is less than its carrying amount may indicate a loss in value of the investment. If the Company determines that an equity method investment is other than temporarily impaired, it is recorded at its fair value with an impairment charge recognized in asset impairment expense for the difference between its carrying amount and fair value.

Revenue Recognition

Resident revenue consists of fees for basic housing and certain support services and fees associated with additional housing and expanded support requirements such as assisted living care, memory care, and ancillary services. Basic housing and certain support services revenue is recorded when services are rendered, and amounts billed are due from residents in the period in which the rental and other services are provided. Residency agreements are generally short term in nature with durations of one year or less and are typically terminable by either party, under certain circumstances, upon providing 30 days' notice, unless state law provides otherwise, with resident fees billed monthly in advance. Revenue for certain ancillary services is recognized as services are provided, and includes fees for services such as medication management, daily living activities, beautician/barber, laundry, television, guest meals, pets, and parking, which are generally billed monthly in arrears. Other operating revenue consists of state relief funds received from various states due to the financial distress impacts of COVID-19 ("State Relief Funds").

The Company's senior housing communities have residency agreements that generally require the resident to pay a community fee and other amounts prior to moving into the community, which are initially recorded by the Company as deferred revenue. The Company had contract liabilities for deferred fees paid by our residents prior to the month housing and support services were to be provided totaling approximately $4.4 million and $4.0 million, respectively, which is reported as deferred income within current liabilities of the Company's condensed consolidated balance sheets as of June 30, 2024 and December 31, 2023.

Revenues from the Medicaid program accounted for 11.1% and 9.4% of the Company's revenue for the three months ended June 30, 2024 and 2023, respectively. Revenues from the Medicaid program accounted for approximately 11.3% and 9.4% of the Company's revenue for the six months ended June 30, 2024 and 2023, respectively. For the three months ended June 30, 2024 and 2023, 22 and 23, respectively, of the Company's communities were providers of services under the Medicaid program, and for the six months ended June 30, 2024 and 2023, 22 and 24, respectively, of the Company's communities were providers of services under the Medicaid program. Resident revenues for Medicaid residents were recorded at the reimbursement rates as the rates were set prospectively by the applicable state upon the filing of an annual cost report. None of the Company's communities were providers of services under the Medicare program for the six months ended June 30, 2024 and 2023.

Laws and regulations governing the Medicaid program are complex and subject to interpretation. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on its Condensed Consolidated Financial Statements. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicaid program.

The Company has management agreements whereby it manages certain communities on behalf of third-party owners and certain community investments under contracts that provide for periodic management fee payments to the Company. The Company has determined that all community management activities are a single performance obligation, which is satisfied over

time as the services are rendered. The Company's estimate of the transaction price for management services also includes the amount of reimbursement due from the owners of the communities for services provided and related costs incurred. Such revenue is included in "managed community reimbursement revenue" on the Company's condensed consolidated statements of operations. The related costs are included in "managed community reimbursement expense" on the Company's condensed consolidated statements of operations. See "Note 8–Revenue."

For the three and six months ended June 30, 2023, the Company received approximately $0.4 million and $2.4 million, respectively, in State Relief Funds. For the six months ended June 30, 2024, no State Relief Funds were received from the state departments. The Company recognizes income for government grants on a systematic and rational basis over the periods in which the Company recognizes the related expenses or loss of revenue for which the grants are intended to compensate when there is reasonable assurance that the Company will comply with the applicable terms and conditions of the grant and there is reasonable assurance that the grant will be received. The State Relief Funds were recorded as other operating revenue within "resident revenue" in the Company's condensed statements of operations and notes thereto.

Credit Risk and Allowance for Doubtful Accounts

The Company's resident accounts receivable are generally due within 30 days after the date billed. Accounts receivable are reported net of an allowance for doubtful accounts of $6.1 million and $5.3 million as of June 30, 2024 and December 31, 2023, respectively, and represent the Company's estimate of the amount that ultimately will be collected. The adequacy of the Company's allowance for doubtful accounts is reviewed on an ongoing basis, using historical payment trends, write-off experience, analyses of receivable portfolios by payor source and aging of receivables, as well as a review of specific accounts, and adjustments are made to the allowance, as necessary. Credit losses on resident receivables have historically been within management's estimates, and management believes that the allowance for doubtful accounts adequately provides for expected losses.

Concentration of Credit Risk and Business Risk

Substantially all of our revenues are derived from senior living communities we own and senior living communities that we manage. Senior living operations are particularly sensitive to adverse economic, social and competitive conditions and trends, including the effects of the COVID-19 pandemic, which has adversely affected, and may continue to adversely affect, our business, financial condition, and results of operations.

We have a concentration of owned properties operating in Texas (16), Indiana (12), Ohio (11) and Wisconsin (8), which represented approximately 23%, 18%, 21% and 10%, respectively, of our resident revenues for the three months ended June 30, 2024 and approximately 23%, 18%, 20% and 10%, respectively, of our resident revenues for the six months ended June 30, 2024.

We have a concentration of owned properties operating in Texas (16), Indiana (12), Ohio (11) and Wisconsin (8), which represented approximately 23%, 18%, 20% and 11%, respectively, of our resident revenues for the three months ended June 30, 2023, and approximately 24%, 18%, 20% and 10%, respectively, of our resident revenues for the six months ended June 30, 2023.

Self-Insurance Liability Accruals

The Company offers full-time employees an option to participate in its health and dental plans. The Company is self-insured up to certain limits and is insured if claims in excess of these limits are incurred. The cost of employee health and dental benefits, net of employee contributions, is shared between the corporate office and the senior housing communities based on the respective number of plan participants. Funds collected are used to pay the actual program costs, including estimated annual claims, third-party administrative fees, network provider fees, communication costs, and other related administrative costs incurred by the plans. Claims are paid as they are submitted to the Company's third-party administrator. The Company records a liability for outstanding claims and claims that have been incurred but not yet reported. This liability is based on the historical claim reporting lag and payment trends of health insurance claims. Management believes that the recorded liabilities and reserves established for outstanding losses and expenses are adequate to cover the ultimate cost of losses and expenses incurred as of June 30, 2024. It is possible that actual claims and expenses may differ from established reserves. Any subsequent changes in estimates are recorded in the period in which they are determined. This liability is reflected as "Accrued expenses" in our condensed consolidated balance sheet.

The Company uses a combination of insurance and self-insurance for workers' compensation. Determining the reserve for workers' compensation losses and costs that the Company has incurred as of the end of a reporting period involves significant judgments based on projected future events, including among other factors, potential settlements for pending claims, known incidents which may result in claims, estimates of incurred but not yet reported claims, changes in insurance premiums and

estimated litigation costs. The Company regularly adjusts these estimates to reflect changes in the foregoing factors. However, since this reserve is based on estimates, it is possible the actual expenses incurred may differ from the amounts reserved. Any subsequent changes in estimates are recorded in the period in which they are determined.

Income Taxes

Income taxes are computed using the asset and liability method and current income taxes are recorded based on amounts refundable or payable in the current year. The effective tax rates for the three and six months ended June 30, 2024 and 2023 differ from the statutory tax rates due to state income taxes, permanent tax differences, and changes in the deferred tax asset valuation allowance.

Deferred income taxes are recorded based on the estimated future tax effects of loss carryforwards and temporary differences between financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates that are expected to apply to taxable income in the years in which the Company expects those carryforwards and temporary differences to be recovered or settled. Management regularly evaluates the future realization of deferred tax assets and provides a valuation allowance, if considered necessary, based on such evaluation. As part of the evaluation, management has evaluated taxable income in carryback years, future reversals of taxable temporary differences, feasible tax planning strategies, and future expectations of income. The valuation allowance reduces the Company's net deferred tax assets to the amount that is "more likely than not" (i.e., a greater than 50% likelihood) to be realized. The company has a full valuation allowance on Deferred Tax Assets. However, in the event that the Company were to ultimately determine that it would be more likely than not that the Company would realize the benefit of deferred tax assets in the future in excess of their net recorded amounts, adjustments to deferred tax assets would increase net income in the period such determination was made. The benefits of the net deferred tax assets might not be realized if actual results differ from expectations.

The Company evaluates uncertain tax positions through consideration of accounting and reporting guidance on criteria, measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial statement comparability among different companies. The Company is required to recognize a tax benefit in its financial statements for an uncertain tax position only if management's assessment is that its position is "more likely than not" (i.e., a greater than 50 percent likelihood) to be upheld on audit based only on the technical merits of the tax position. The Company's policy is to recognize interest related to unrecognized tax benefits as interest expense and penalties as income tax expense.

The Company filed for an employee retention credit ("ERC") with the Internal Revenue Service in November 2023. The ERC is a tax credit for businesses that had employees and were affected by the COVID-19 pandemic. We have not received any funds from the ERC as of June 30, 2024.

Redeemable Preferred Stock

The Company's Series A Preferred Stock is convertible outside of our control and is classified as mezzanine equity. The Series A Preferred Stock was initially recorded at fair value upon issuance, net of issuance costs and discounts. The holders, or Conversant Dallas Parkway (A) LP and Conversant Dallas Parkway (B) LP (together, the "Conversant Preferred Investors"), of Series A Preferred Stock are entitled to vote with the holders of common stock on all matters submitted to a vote of stockholders of the Company. As such, the Conversant Preferred Investors, in combination with their common stock ownership as of June 30, 2024 and December 31, 2023, have voting rights in excess of 50% of the Company's total voting stock. It is deemed probable that the Series A Preferred Stock could be redeemed for cash by the Conversant Preferred Investors, and as such, the Series A Preferred Stock is required to be remeasured and adjusted to its maximum redemption value at the end of each reporting period. However, to the extent that the maximum redemption value of the Series A Preferred Stock does not exceed the fair value of the shares at the date of issuance, the shares are not adjusted below the fair value at the date of issuance. As of June 30, 2024 and December 31, 2023, the Series A Preferred Stock is carried at the maximum redemption value. The Series A Preferred Stock does not have a maturity date and, therefore, is considered perpetual.

Dividends on redeemable Series A Preferred Stock are recorded to retained earnings or additional paid-in capital if retained earnings is an accumulated deficit. Dividends are cumulative, and any declaration of dividends is at the discretion of the Company's Board of Directors (the "Board"). If the Board does not declare a dividend in respect of any dividend payment date, the amount of such accrued and unpaid dividend is added to the liquidation preference of the Series A Preferred Stock and compounds quarterly thereafter. See "Note 7–Securities Financing."

Derivative Instruments

We use derivative instruments as part of our overall strategy to manage our exposure to market risks associated with the fluctuations in interest rates. We are also required to enter into interest rate derivative instruments in compliance with certain debt agreements. We regularly monitor the financial stability and credit standing of the counterparties to our derivative instruments. We do not enter into derivative financial instruments for trading or speculative purposes. We record all derivatives at fair value. As of June 30, 2024 and December 31, 2023, our derivative instruments consisted of interest rate caps that were not designated as hedge instruments. Changes in fair value of undesignated hedge instruments are recorded in current period earnings as interest expense. See "Note 14–Derivatives and Hedging."

Net Income Per Common Share

The Company uses the two-class method to compute net income per common share because the Company has issued securities (Series A Preferred Stock) that entitle the holder to participate in dividends and earnings of the Company. Under this method, net income is reduced by the amount of any dividends earned during the period. The remaining earnings (undistributed earnings) are allocated based on the weighted-average shares outstanding of common stock and participating securities, including Series A Preferred Stock (on an if-converted basis) to the extent that each participating security may share in earnings as if all of the earnings for the period had been distributed. The total earnings allocated to common stock is then divided by the number of outstanding shares to which the earnings are allocated to determine the earnings per share. The two-class method is not applicable during periods with a net loss, as the holders of the participating securities, including Series A Preferred Stock, have no obligation to fund losses.

Diluted net income per common share is computed under the two-class method by using the weighted-average number of shares of common stock outstanding, plus, for periods with net income attributable to common stockholders, the potential dilutive effects of stock options, stock-based compensation awards, and warrants. In addition, the Company analyzes the potential dilutive effect of the outstanding Series A Preferred Stock under the "if-converted" method when calculating diluted earnings per share, in which it is assumed that the outstanding Series A Preferred Stock converts into common stock at the beginning of the period or when issued, if later. The Company reports the more dilutive of the approaches (two class or "if-converted") as its diluted net income per share during the period. See "Note 9–Net Income Per Share."

Segment Reporting

The Company evaluates the performance and allocates resources of its senior living communities based on current operations and market assessments on a property-by-property basis. The Company does not have a concentration of operations geographically or by product or service as its management functions are integrated at the property level. The Company has determined that its operating units meet the criteria in ASC Topic 280, *Segment Reporting*, to be aggregated into one reporting segment. As such, the Company operates in one segment.

Troubled Debt Restructurings

The Company assesses all loan modifications with existing lenders to determine if it is a troubled debt restructuring. A loan that has been modified or renewed is considered to be a troubled debt restructuring when two conditions are met: (1) the borrower is experiencing financial difficulty and (2) concessions are made for the borrower's benefit that would not otherwise be considered for a borrower or a transaction with similar credit risk characteristics. These concessions may include modifications of the terms of the debt such as deferral of payments, extension of maturity, reduction of principal balance, reduction of the stated interest rate other than normal market rate adjustments, or a combination of these concessions. The Company compares the total cash outflows of the restructured debt to the carrying amount of the debt prior to the restructure. If cash outflows of the restructured debt are less than the carrying amount, a gain is recognized and the carrying amount of the debt is adjusted. If cash outflows of the restructured debt are more than the carrying amount, no gain or loss is recognized and the carrying amount of the debt is not adjusted. The change in cash outflows resulting from the restructuring is accounted for on a prospective basis by calculating a new effective interest rate on the restructured debt and applying it to recognize lower interest expense over the remaining term. See "Note 6–Notes Payable."

Recently Issued Accounting Pronouncements Not Yet Adopted

Improvements to Reportable Segment Disclosures

In November of 2023, the FASB issued Accounting Standards Update ("ASU") No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The amendments are intended to increase reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The ASU is effective on a retrospective basis for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after

December 15, 2024. We are currently evaluating the impact of this guidance on the disclosures within the Company's condensed consolidated financial statements.

Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments require disclosure of specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold and further disaggregation of income taxes paid for individually significant jurisdictions. The ASU is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. We are currently evaluating the impact that this guidance will have on the disclosures within the Company's condensed consolidated financial statements.

3. Acquisition and Investments

Macedonia Acquisition

In April 2024, the Company entered into an asset purchase agreement to acquire a community located in Macedonia, Ohio for a purchase price of $10.7 million plus transaction costs of $0.4 million. In May 2024, the Company closed on the acquisition and entered into a mortgage loan totaling $9.4 million. The Company purchased a Secured Overnight Financing Rate- ("SOFR") based interest rate cap ("IRC") to reduce exposure to the variable interest rate fluctuations associated with the new mortgage. The total cost of the IRC was $0.2 million and has an aggregate notional amount of $9.4 million. The IRC has a 24-month term and caps SOFR at 6.00%. See "Note 6–Notes Payable" and "Note 13–Fair Value Measurements."

The asset acquisition was recorded at relative fair value. We recorded $10.0 million in "Property and equipment, net" for tangible assets purchased; $1.2 million in "Other assets, net" for in-place leases; and $54 thousand in "Other liabilities" for below market leases for this acquisition in our condensed consolidated balance sheet.

Investment in Stone Unconsolidated Entities

In April 2024, the Company and KZ Stone Investor LLC ("KZ Investor") formed a new joint venture, Stone JV LLC ("Stone") for the purpose of acquiring, owning, and operating four senior housing communities located in the Midwest. In May 2024, Stone purchased the four communities for a purchase price of $64.0 million. KZ Investor is the controlling managing member of the newly formed venture and owns 66.67% of the entity as of June 30, 2024. Sonida owns a 33.33% noncontrolling interest in the new venture as of June 30, 2024, which was acquired through cash contributions in connection with the closing. Sonida operates the four communities for a management fee based on gross revenues of the applicable communities, as well as an incentive management fee based on earnings before interest, taxes, depreciation, amortization, rent, and management fees, and other customary terms and conditions.

The Company has evaluated its investment in the Stone joint venture under ASC 810. The Company has determined that it does not have the power to direct the activities of the VIE that most significantly impact its economic performance and is not the primary beneficiary of the VIE in accordance with ASC 810. The Company's interests in the VIE are, therefore, accounted for under the equity method of accounting. The carrying amount of the Company's investment in the unconsolidated venture and maximum exposure to loss as a result of the Company's ownership interest in the joint venture was $22.3 million, which is included in equity method investment on the accompanying condensed consolidated balance sheet as of June 30, 2024.

The Company evaluates the realization of its investment in unconsolidated entities accounted for using the equity method if circumstances indicate the Company's investment is other than temporarily impaired. During the three and six months ended June 30, 2024, there were no impairments.

4. Property and Equipment, net

As of June 30, 2024 and December 31, 2023, property and equipment, net, which include assets under finance leases, consist of the following (in thousands):

	Asset Lives	June 30, 2024	December 31, 2023
Land		$ 47,311	$ 47,173
Land improvements	5 to 20 years	21,199	20,487
Buildings and building improvements	10 to 40 years	859,887	845,873
Furniture and equipment	5 to 10 years	60,251	58,443
Automobiles	5 to 7 years	2,712	2,687
Assets under financing leases and leasehold improvements [1]		4,330	2,766
Construction in progress		990	259
Total property and equipment		$ 996,680	$ 977,688
Less accumulated depreciation and amortization		(409,164)	(389,509)
Total property and equipment, net		$ 587,516	$ 588,179

(1) Leasehold improvements are amortized over the shorter of the useful life of the asset or the remaining lease term. Assets under financing leases and leasehold improvements include $0.1 million and $0.1 million of financing lease right-of-use assets as of June 30, 2024 and December 31, 2023, respectively.

There were no impairments on long-lived assets for the three and six months ended June 30, 2024 and 2023.

5. Accrued Expenses

The following is a summary of accrued expenses as of June 30, 2024 and December 31, 2023 (in thousands):

	June 30, 2024	December 31, 2023
Accrued payroll and employee benefits	$ 15,303	$ 15,639
Accrued interest [1]	10,085	11,316
Accrued taxes	5,781	7,614
Accrued professional fees	3,058	5,022
Accrued other expenses	3,097	2,797
Total accrued expenses	$ 37,324	$ 42,388

(1) Includes deferred interest of $6.4 million and $4.3 million as of June 30, 2024 and December 31, 2023, respectively, in consideration of the Fannie Mae Loan Modification (as defined below).

6. Notes Payable

Notes payable consists of the following (in thousands):

	Weighted average interest rate	Maturity Date	June 30, 2024	December 31, 2023
Fixed rate mortgage notes payable	4.6%	2025 to 2045	$ 412,943	$ 492,998
Variable rate mortgage notes payable [1]	6.3%	2026 to 2029	171,531	137,320
Notes payable - insurance	6.8%	2024 to 2025	2,514	1,846
Notes payable - other	8.5%	2024	810	1,619
Notes payable			$ 587,798	$ 633,783
Deferred loan costs, net			4,043	4,361
Total notes payable, net of deferred loan costs			$ 583,755	$ 629,422
Current portion of notes payable			2,235	42,323
Long-term notes payable, net			$ 581,520	$ 587,099

(1) See "Note 13–Fair Value Measurements" for interest rate cap agreements on variable rate mortgage notes payable.

The following schedule summarizes our notes payable as of June 30, 2024 (in thousands):

Principal payments due in:[2]	
2024	$ 2,881
2025	42,869
2026	334,798
2027	3,244
2028	3,395
Thereafter	200,611
Total notes payable, excluding deferred loan costs	$ 587,798

(2) Includes the impact of the Texas Loan Modification (as defined and described in Note 15─Subsequent Events.)

As of June 30, 2024, our fixed rate mortgage notes bear interest rates ranging from 3.6% to 6.3%. Our variable rate mortgage notes are based on the SOFR plus an applicable margin. As of June 30, 2024, the one-month SOFR was 5.3% and the applicable margins were either 2.14% or 3.50%.

As of June 30, 2024, we had property and equipment with a net carrying value of $571.0 million that is secured by outstanding notes payable.

2024 Loan Repurchase Agreement and Ally Term Loan Expansion

We entered into an agreement with one of our previous lenders whereby the Company agreed to purchase the outstanding indebtedness it owed to such lender for a purchase price of $40.2 million (plus the reimbursement of certain amounts advanced to the Company by such lender). On February 2, 2024, the Company completed the purchase of the total outstanding principal balance of $74.4 million from the lender that was secured by seven of the Company's senior living communities (such transaction, the "2024 Loan Purchase"). The 2024 Loan Purchase was funded by expanding the Company's existing loan facility with Ally Bank ("Ally") by $24.8 million and the remainder was funded by proceeds from the 2024 Private Placement, see "Note 7–Securities Financing." The 2024 Loan Purchase and Ally financing closed on February 2, 2024, reduced notes payable by $49.6 million, and resulted in a gain on debt extinguishment totaling $38.1 million. The Company incurred deferred loan costs of $0.5 million as part of the Ally financing that are amortized over the loan term. As part of the agreement with Ally, the Company expanded its current interest rate cap to include the additional borrowing at a cost of $0.6 million. The expanded Ally debt facility is secured by six of the Company's senior living communities involved in the transaction.

Macedonia Loan

In connection with the Macedonia community acquisition in May 2024, the Company entered into a $9.4 million mortgage with a new lender. The mortgage has a 60-month term and a variable interest rate equal to 1-month term SOFR + 2.00%. The Company is not required to make scheduled principal payments for the first 36 months. The Company also entered into a SOFR-based IRC to reduce exposure to the variable interest rate fluctuations associated with the new mortgage. The total cost of the IRC was $0.2 million and has an aggregate notional amount of $9.4 million. The IRC has a 24-month term and caps SOFR at 6.00% from May 9, 2024 through May 1, 2026 with respect to such variable rate indebtedness.

Fannie Mae Loan Modification

On June 29, 2023, the Company entered into the Fannie Forbearance with Federal National Mortgage Association ("Fannie Mae") for all 37 of its encumbered communities, effective as of June 1, 2023 ("Fannie Forbearance Effective Date"). Under the Fannie Forbearance, Fannie Mae agreed to forbear on its remedies otherwise available under the community mortgages and Master Credit Facility ("MCF") in connection with reduced debt service payments made by the Company during the forbearance period. In connection with the Fannie Forbearance, the Company made a $5.0 million principal payment in July 2023. The Fannie Forbearance was the first of a two-step process to modify all existing mortgage loan agreements with Fannie Mae by October 2023 under proposed loan modification agreements, as defined in the Fannie Forbearance ("Loan Modification Agreements"). Terms outlined in an agreed upon term sheet accompanying the Fannie Forbearance were included in the Loan Modification Agreements as the final step to modify the various 37 Fannie Mae community mortgages and MCF prior to the expiration of the Fannie Forbearance, which was subsequently extended to October 6, 2023.

The Company entered into Loan Modification Agreements with Fannie Mae on October 2, 2023. The material terms of the Loan Modification Agreements were as follows:

- Maturities on 18 community mortgages, ranging from July 2024 to December 2026, were extended to December 2026. The remaining 19 communities under the MCF have existing maturities in January 2029.

- The Company is not required to make scheduled principal payments due under the 18 community mortgages and 19 communities under the MCF through the revised maturity date of December 2026 or 36 months from the Fannie Forbearance Effective Date, respectively.

- The monthly interest rate was reduced by a 1.5% weighted average on all 37 communities for 12 months from the Fannie Forbearance Effective Date and deferred (the "Fannie Interest Abatement Period"). The reduced interest rates expired on June 1, 2024.

- A second and final principal payment of $5.0 million was due in June 2024, the one-year anniversary of the Fannie Forbearance Effective Date, which the Company made on June 3, 2024.

- In the first twelve months following the effective date of the Loan Modification Agreements, the Company was required to escrow 50% of Net Cash Flow less Debt Service (as defined in the Fannie mortgages and MCF) on an aggregate basis over all 37 Fannie Mae communities. The excess cash flow was deposited into a lender-controlled capital expenditure reserve on a monthly basis to support the re-investment into certain communities, as mutually determined by the Company and Fannie Mae. The Company was able to draw down such amounts on qualifying projects as the capital expenditures were incurred.

The Company determined that the Fannie loan modification was a troubled debt restructuring where the total cash outflows exceed the current carrying value of the debt. Restructuring costs related to the Loan Modification Agreements are included in deferred loan costs and are being amortized over the lives of the Fannie Mae loans.

Transactions Involving Certain Fannie Mae Loans

During 2020, the Company initiated a process to transfer the operations and ownership of 18 properties to Fannie Mae. In January 2023, the Company received notice that the foreclosure sales conducted by Fannie Mae had successfully transitioned the remaining two properties to new owners. This event relieved the Company of the existing Fannie Mae debt relating to the two properties. Accordingly, the Company recognized a total of $36.3 million for the gain on debt extinguishments for the six months ended June 30, 2023. With the transition of these two remaining properties, the 18 total Fannie Mae properties' foreclosure was complete.

2024 Ally Loan Amendments

On February 2, 2024, the Company expanded the existing loan facility with Ally by $24.8 million ("Ally Third Amendment") to partially fund the 2024 Loan Purchase. The Company incurred deferred loan costs of $0.5 million as part of the Ally financing that will be amortized over the loan term. As part of the Ally Third Amendment, the Company expanded its current interest rate cap to include the additional loan obligation at a cost of $0.6 million and increased the monthly interest rate cap reserve ("IRC Reserve") held by Ally to match the notional amount required under the increased obligation. In addition, the term loan principal reserve was increased by an average of $36,000 per month and the Company made a one-time payment to the debt service reserve of $0.4 million. The expanded Ally debt facility is secured by six of the Company's senior living communities involved in the 2024 Loan Purchase.

On May 22, 2024, the Company executed an amendment ("Ally Fourth Amendment") to the Ally term loan agreement. Ally Bank successfully syndicated a portion of its total term loan commitment to Cross River Bank. Following the syndication, Ally Bank and Cross River Bank owned 67.5% and 32.5% of the outstanding principal balance, respectively. As each lender loans a specific amount to the debtor and has the right to repayment from the debtor this transaction is considered a loan syndication and the guidance in ASC 470-50 should be applied to the modified loans on a creditor-by-creditor basis. As Ally Bank was the sole lender prior to the syndication, there is no change in the allocation of deferred loan costs, and they will continue to be amortized over the loan term.

2023 Ally Loan Amendment

On June 29, 2023, and concurrent with the Fannie Forbearance, we executed an amendment ("2023 Ally Amendment") to the Ally term loan agreement ("Ally Term Loan" or "Ally Term Loan Agreement") and an amended guaranty ("Second Amended Ally Guaranty") with Ally Bank with terms as follows:

- With respect to the Second Amended Ally Guaranty, Ally granted the Company, as Guarantor, a waiver ("Limited Payment Guaranty Waiver" or "Waiver") of the liquid assets minimum requirement of $13.0 million for a 12-month period. On July 1, 2024, a new liquid assets threshold of $7.0 million became effective, with such threshold increasing $1.0 million per month through the earlier of the release of the Waiver period or December 31, 2024.

- During the Waiver period, a new and temporary liquid assets minimum threshold ("Limited Payment Guaranty Waiver Minimum Threshold") was established. The Limited Payment Guaranty Waiver Minimum Threshold is $6.0 million and is measured weekly. If breached, the "Excess Cash Flow Sweep" is triggered and all excess cash from the communities collateralizing the Ally Term Loan will be swept into an "Equity Cure Fund", as defined in the Ally Term Loan Agreement. As provided for in the 2023 Ally Amendment, the Excess Cash Flow Sweep, if triggered, will cease upon the achievement of meeting or exceeding the Limited Payment Guaranty Waiver Minimum Threshold for four consecutive weeks. Consistent with the Ally Term Loan, all amounts held in escrow (i.e., Debt Service Escrow and IRC Reserve) will be included and combined with the Company's unrestricted cash for purposes of measurement against the Limited Payment Guaranty Waiver Minimum Threshold.

- During the Waiver period, Ally will collect the equivalent of the monthly Ally Term Loan principal payment (as provided for in the Ally Term Loan Agreement) of approximately $117,000 through an Ally controlled escrow ("Waiver Principal Reserve Account").

- Upon meeting the Ally Term Loan's Liquid Assets Threshold of $13.0 million, the Company may elect to remove the Waiver, with initial terms in the Ally Term Loan applicable again, except as described further below.

- In July 2023, we were required to fund $2.3 million to an IRC Reserve held by Ally, which represented the quoted cost of a one-year interest rate cap on the full $88.1 million notional value of the Ally Term Loan at a 2.25% SOFR strike rate. On December 1, 2023, the Company entered into a new SOFR-based interest rate cap transaction for an aggregate notional amount of $88.1 million at a cost of $2.4 million. The interest rate cap agreement has a 12-month term and caps the floating interest rate portion of our indebtedness with Ally Bank at 2.25%. Until the terms of the Limited Payment Guaranty Waiver have expired or have been met and elected at the Company's discretion, the IRC Reserve is required to be replenished to its replacement cost.

- Subsequent to the Waiver period, all funds in the Waiver Principal Reserve Account as well as any funds swept into the Equity Cure Fund will be released to the Company.

Notes Payable - Insurance

During the year ended December 31, 2023, the Company renewed certain insurance policies and entered into several finance agreements totaling approximately $3.3 million. In June 2024, the Company entered into a financing agreement totaling approximately $2.4 million with a fixed interest rate of 6.85%. As of June 30, 2024, the Company had finance agreements totaling $2.5 million, with a fixed interest rates ranging from 6.25% to 6.85%, and a weighted average rate of 6.77%, with principal amounts being fully repaid over ten-month terms.

Other Debt Transactions

The Company had notes payable related to rent payments due to Healthpeak as of June 30, 2024 and December 31, 2023 of $0.8 million and $1.6 million, respectively. In November 2023, the Company modified its payment terms on the Healthpeak note payable to include four consecutive quarterly installments beginning in January 2024.

Debt Covenant Compliance

The Company was in compliance with its debt covenants related to its outstanding indebtedness as of June 30, 2024.

7. Securities Financing

Increase in Authorized Shares of Common Stock

On March 21, 2024, following receipt of stockholder approval at the Special Meeting of the Company's stockholders held on March 21, 2024, the Company filed an amendment to the Company's Amended and Restated Certificate of Incorporation, as amended, with the Delaware Secretary of State to increase the number of authorized shares of the Company's common stock from 15,000,000 shares to 30,000,000 shares. The charter amendment became effective upon filing.

At-the-Market Equity Offerings

On April 1, 2024, the Company entered into an At-the-Market Issuance Sales Agreement (the "ATM Sales Agreement") with Mizuho Securities USA LLC, who is acting as the sole sales agent (the "Agent"). Pursuant to the ATM Sales Agreement, the Company may sell, at its option, shares of its common stock up to an aggregate offering price of $75.0 million (the "Shares") through the Agent. Sales of the Shares made pursuant to the ATM Sales Agreement, if any, will be made under the Company's Registration Statement on Form S-3 filed with the SEC on May 1, 2023 (File No. 333-271545), which includes a base prospectus and was declared effective on May 9, 2023 (the "Registration Statement"), and the prospectus supplement dated April 1, 2024 relating to the offering and filed with the SEC on April 1, 2024 (the "Prospectus Supplement"), in each case, as may be amended or supplemented from time to time.

The ATM Sales Agreement provides that the Agent will be entitled to receive a commission of up to 3% of the gross proceeds from the sale of the shares in a transaction. Pursuant to the terms of the ATM Sales Agreement, the Company also provided the Agent with customary indemnification and contribution rights. The offering of common stock pursuant to the ATM Sales Agreement will terminate upon the earlier of, among other things, (i) the sale of all of the Shares subject to the ATM Sales Agreement and (ii) the termination of the ATM Sales Agreement by the Company or by the Agent, following delivery of sufficient written notice by the Company or the Agent to the other party.

On April 5, 2024, the Company sold 382,000 shares pursuant to the ATM Sales Agreement at $27.50 per share for net proceeds of $10.2 million, inclusive of $0.3 million in commissions paid to its Agent.

On May 14, 2024, the Company sold 234,375 shares pursuant to the ATM Sales Agreement at an average sales price of $32.00 per share for net proceeds of $7.2 million, inclusive of $0.3 million in commissions paid to its Agent. The Company cannot provide any assurances that it will issue any additional shares of common stock pursuant to the ATM Sales Agreement.

See "Note 15–Subsequent Events" for the Company's ATM sales transaction completed on July 1, 2024 and subsequent equity issuances.

2024 Private Placement Transaction

On February 1, 2024, the Company entered into a securities purchase agreement (the "Securities Purchase Agreement") with Conversant Dallas Parkway (A) LP, Conversant Dallas Parkway (B) LP and several other shareholders (together, the "Investors"), pursuant to which the Investors agreed to purchase from the Company, and the Company agreed to sell to the Investors, in a private placement transaction (the "2024 Private Placement") pursuant to Section 4(a)(2) of the Securities Act of

1933, as amended (the “Securities Act”), an aggregate of 5,026,318 shares of the Company’s common stock at a price of $9.50 per share.

The 2024 Private Placement occurred in two tranches. The first tranche occurred on February 1, 2024, at which time 3,350,878 shares of common stock were issued and sold to the Investors for $31.8 million. The second tranche occurred on March 22, 2024, at which time 1,675,440 shares of common stock were issued and sold to the Investors for $15.9 million. The Company used a portion of the proceeds from the first closing of the 2024 Private Placement to fund a portion of the cash purchase price for the 2024 Loan Purchase. As of June 30, 2024, the majority of our common stock is held by Conversant Dallas Parkway (A) LP, Conversant Dallas Parkway (B) LP, and Conversant Dallas Parkway (D) LP (together, “Conversant” or the “Conversant Investors”).

Series A Preferred Stock

In November 2021, the Company issued 41,250 shares of Series A Preferred Stock. The Series A Preferred Stock is convertible outside of the Company's control and, in accordance with GAAP, is classified as mezzanine equity, outside the stockholders’ equity (deficit) section, on our condensed consolidated balance sheets.

The Series A Preferred Stock has an 11% annual dividend calculated on the original investment of approximately $41.3 million accrued quarterly in arrears and compounded. Dividends are cumulative, and any declaration of dividends is at the discretion of the Company’s Board of Directors. If the Board does not declare a dividend in respect of any dividend payment date, the amount of such accrued and unpaid dividend is added to the liquidation preference and compounds quarterly thereafter. On March 31, 2024 and June 30, 2024, the Board did not declare dividends with respect to the Series A Preferred Stock, and accordingly, $1.3 million and $1.4 million, respectively was added to the liquidation preference of the Series A Preferred Stock, effectively increasing the carrying value of the Series A Preferred Stock. As of June 30, 2024, a total of $10.0 million has been added to the liquidation preference of the Series A Preferred Stock.

The following schedule summarizes our preferred stock as of June 30, 2024 (in thousands):

	Preferred Stock	
	Shares	**Amount**
Balance as of December 31, 2023	41	$ 48,542
Undeclared dividends on Series A convertible preferred stock	—	1,335
Balance as of March 31, 2024	41	49,877
Undeclared dividends on Series A convertible preferred stock	—	1,371
Balance as of June 30, 2024	41	$ 51,248

Outstanding Warrants

In connection with certain financing transactions completed in November 2021, the Company, among other things, issued to the Conversant Investors 1,031,250 warrants each evidencing the right to purchase one share of common stock at a price per share of $40.00, subject to certain adjustments, and with an exercise expiration date of five years after the closing date of such financing transactions which is November 2026.

Conversant Equity Commitment

In connection with the Fannie Forbearance and 2023 Ally Amendment signed on June 29, 2023, the Company entered into a $13.5 million equity commitment agreement (“Equity Commitment”) with Conversant for a term of 18 months. Sonida has the right, but not the obligation, to utilize Conversant’s equity commitment and may draw on the commitment in whole or in part, subject to the terms and conditions therein and applicable laws and regulations. As of June 30, 2024, the Company had $3.5 million remaining under its Equity Commitment with Conversant, and the Equity Commitment is in effect through December 31, 2024.

8. Revenue

Revenue for the three and six months ended June 30, 2024 and 2023 is comprised of the following components (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Housing and support services	$ 62,361	$ 55,849	$ 122,345	$ 109,640
Community fees	484	447	943	927
Ancillary services	263	246	557	519
Other operating revenue [(1)]	—	418	—	2,480
Resident revenue	63,108	56,960	123,845	113,566
Management fees	720	531	1,314	1,036
Managed community reimbursement revenue	6,379	5,363	12,486	10,325
Total revenues	$ 70,207	$ 62,854	$ 137,645	$ 124,927

(1) Other operating revenue consists of funds received from state departments due to financial distress impacts of COVID-19. The Company intends to pursue any additional funding that may become available in the future, but there is no guarantee any additional funds will be available or that the Company will qualify for, or receive, any additional relief funds that become available.

Community fees, ancillary services, management fees, and community reimbursement revenue represent revenue from contracts with customers in accordance with GAAP.

9. Net Income Per Share

Basic net income per share ("EPS") is calculated by dividing net earnings by the weighted average number of common shares outstanding during the period. Potentially dilutive securities include warrants, Series A Preferred Stock, shares of restricted stock, restricted stock units, and former employee stock options. Diluted EPS reflects the assumed exercise or conversion of all dilutive securities. The Series A Preferred Stock is considered participating securities for the purposes of the Company's EPS calculation.

The following table sets forth the computation of basic and diluted net income (loss) per share (in thousands, except for per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Basic net income per common share calculation:				
Net income (loss)	$ (9,816)	$ (12,212)	$ 17,203	$ 11,933
Less: Undeclared dividends on Series A Preferred Stock	(1,372)	(1,230)	(2,707)	(2,428)
Less: Undistributed earnings allocated to participating securities	—	—	(1,425)	(1,419)
Net income attributable to common stockholders	$ (11,188)	$ (13,442)	$ 13,071	$ 8,086
Weighted average shares outstanding — basic	13,014	6,381	11,438	6,374
Basic net income (loss) per share	$ (0.86)	$ (2.11)	$ 1.14	$ 1.27
Diluted net income per common share calculation:				
Net income (loss) attributable to common stockholders	$ (11,188)	$ (13,442)	$ 13,071	$ 8,086
Weighted average shares outstanding — diluted	13,014	6,381	12,143	6,856
Diluted net income (loss) per share	$ (0.86)	$ (2.11)	$ 1.08	$ 1.18

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Weighted average shares outstanding - diluted reconciliation:				
Weighted average shares outstanding — basic	13,014	6,381	11,438	6,374
Dilutive effect of RSAs	—	—	623	452
Dilutive effect of RSUs	—	—	82	31
Weighted average shares outstanding — diluted	13,014	6,381	12,143	6,856

The following weighted-average shares of securities were not included in the computation of diluted net income per common share as their effect would have been antidilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
(shares in thousands)	2024	2023	2024	2023
Warrants	1,031	1,031	1,031	1,031
Series A Preferred Stock (if converted)	1,264	1,134	1,247	1,119
Restricted stock awards	972	701	141	116
Stock options	10	10	10	10
Restricted stock units	2	—	1	—
Total	3,279	2,876	2,430	2,276

10. Stock-Based Compensation

The Company uses equity awards as a long-term retention program that is intended to attract, retain and provide incentives for employees, officers, and directors and to more closely align stockholder and employee interests. The Company recognizes compensation expense for all of its share-based stock awards based on their fair values.

The Company recognized $1.2 million and $0.6 million in stock-based compensation expense for the three months ended June 30, 2024 and June 30, 2023, respectively. The Company recognized $1.8 million and $1.5 million in stock-based compensation expense for the six months ended June 30, 2024 and June 30, 2023, respectively. As of June 30, 2024, the Company has $12.6 million in unrecognized stock compensation expense.

11. Commitments and Contingencies

As of June 30, 2024, the Company had contractual commitments of $4.4 million related to future renovations and technology enhancements to its communities, which are expected to be substantially expended during 2024.

The Company has claims incurred in the normal course of its business. Most of these claims are believed by management to be covered by insurance, subject to deductibles, normal reservations of rights by the insurance companies and possibly subject to certain exclusions in the applicable insurance policies. Whether or not covered by insurance, these claims, in the opinion of management, based on advice of legal counsel, should not have a material impact on the condensed consolidated financial statements of the Company.

12. Related Party Transactions

Conversant

As of June 30, 2024, Conversant and its affiliates have a controlling interest in the Company.

During the six months ended June 30, 2024, the Conversant Investors purchased an additional 3,157,895 shares of common stock of the Company for $30.0 million. See "Note 7–Securities Financing."

Stone Joint Venture

As of June 30, 2024, the Company operates the four communities owned by Stone JV LLC under a management agreement and also provides reporting services for the joint venture. See "Footnote 3–Acquisitions and Investments."

13. Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company uses interest rate cap arrangements with financial institutions to manage exposure to interest rate changes for loans that utilize variable interest rates. As of June 30, 2024 and December 31, 2023, we had interest rate cap agreements with an aggregate notional value of $171.6 million and $138.4 million, respectively. The fair value of these derivative assets as of June 30, 2024 and December 31, 2023 was $2.3 million and $2.1 million, respectively, which was determined using significant observable inputs (Level 2), including quantitative models that utilize multiple market inputs to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions, and third-party pricing services.

Financial Instruments Not Reported at Fair Value

For those financial instruments not carried at fair value, the carrying amount and estimated fair values of our financial assets and liabilities were as follows as of June 30, 2024 and December 31, 2023 (in thousands):

	June 30, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 9,491	$ 9,491	$ 4,082	$ 4,082
Restricted cash	14,292	14,292	13,668	13,668
Notes payable, excluding deferred loan costs	$ 587,798	$ 523,406	$ 633,783	$ 597,266

We believe the carrying amount of cash and cash equivalents, restricted cash, accounts receivable, and accounts payable, and accrued expenses approximate fair value due to their short-term nature.

The fair value of notes payable, excluding deferred loan costs, is estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements, which represent Level 2 inputs as defined in *ASC 820*, *Fair Value Measurement.*

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The Company adjusts the carrying amount of certain non-financial assets to fair value on a non-recurring basis when they are impaired. There were no impairment losses for the six months ended June 30, 2024 and 2023.

14. Derivatives and Hedging

The Company uses derivatives as part of its overall strategy to manage our exposure to market risks associated with the fluctuations in interest rates. We are also required to enter into interest rate derivative instruments in compliance with certain debt agreements. We do not enter into derivative financial instruments for trading or speculative purposes.

During April 2024, the Company entered into an interest rate cap transaction for an aggregate notional amount of $49.2 million for $1.1 million to reduce exposure to interest rate fluctuations associated with a portion of our variable mortgage notes payable to Fannie Mae. The interest rate cap has 24-month term and effectively caps SOFR at 4.00%. The Company is funding an IRC reserve for a replacement IRC which is held by the lender. The IRC is not designated as a cash flow hedge under *ASC 815-20, Derivatives – Hedging*, and therefore, all changes in the fair value of the instrument are included as a component of interest expense in our condensed consolidated statements of operations.

In connection with the Macedonia loan, in May 2024 the Company entered into a SOFR-based interest rate cap to reduce exposure to the variable interest rate fluctuations associated with a new mortgage. The total cost of the IRC was $0.2 million and has an aggregate notional amount of $9.4 million. The IRC has a 24-month term and caps SOFR at 6.00%.

On December 1, 2023, in order to comply with the lender's requirements under the Ally Bank loan agreements, the Company entered into a SOFR-based interest rate cap transaction for an aggregate notional amount of $88.1 million at a cost of $2.4 million. The interest rate cap agreement has a 12-month term and effectively caps the interest rate at 2.25% with respect to the portion of our floating rate indebtedness. On February 2, 2024, as part of the Ally Term Loan expansion, the Company entered into a SOFR-based interest rate cap transaction for an aggregate notional amount of $24.8 million at a cost of $0.6 million. See "Note 6–Notes Payable."

The following table presents the fair values of derivative assets and liabilities in the condensed consolidated balance sheets (in thousands):

	June 30, 2024			
	Derivative Asset		Derivative Liability	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate cap *(SOFR-based)*	$ 171,566	$ 2,348	$ —	$ —
Total derivatives, net	$ 171,566	$ 2,348	$ —	$ —

	December 31, 2023			
	Derivative Asset		Derivative Liability	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate cap *(SOFR-based)*	$ 138,385	$ 2,103	$ —	$ —
Total derivatives, net	$ 138,385	$ 2,103	$ —	$ —

The following table presents the effect of the derivative instruments on the condensed consolidated statements of operations (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Derivative not designated as hedge				
Interest rate cap				
Loss on derivatives not designated as hedges included in interest expense	$ (1,079)	$ (531)	$ (1,606)	$ (1,122)

15. Subsequent Events

At-the-Market Equity Offerings

On July 1, 2024, the Company sold 51,127 shares pursuant to the ATM Sales Agreement at an average sales price of $27.50 per share for net proceeds of $1.4 million, inclusive of $35,000 in commissions paid to its Agent. The Company cannot provide any assurances that it will issue any additional shares of common stock pursuant to the ATM Sales Agreement.

Investment in Joint Venture

On July 1, 2024, the Company entered into a joint venture ("Palatine JV") with affiliates of Palatine Capital Partners ("Palatine Investor"), which acquired four senior living communities located in Texas (3) and Georgia (1). The Palatine JV acquired these communities with $12.5 million of cash and financing of $21.8 million of senior mortgage debt. The Company is a 51% owner in the joint venture and contributed $6.4 million in cash for the investment. The Company will manage the four communities in exchange for a management fee calculated as a percentage of gross revenue and an additional incentive management fee.

Registration Statement

On July 19, 2024, the Company filed a prospectus which is part of a registration statement that we filed with the Securities and Exchange Commission, or the ("SEC"), using a "shelf" registration process. Under the shelf registration process, we may sell any combination of the securities described in the prospectus in one or more offerings up to a total dollar amount of $500.0 million. The Company cannot provide any assurances that it will issue any securities pursuant to the registration statement.

Loan Modification

On August 5, 2024, the Company entered into loan modification agreements ("Texas Loan Modification") with one of its lenders on two owned communities in Texas. The original loan terms included maturities of April 2025 and October 2031, as well as cross-default provisions with each other. The Texas Loan Modification includes revised loan maturities of December 2025 on both communities, with the Company's option to make a discounted payoff ("Texas DPO") of the outstanding loan principal on or prior to November 1, 2024. As part of the consideration, the Company is required to pay a total restructuring fee of $250,000 at the time of the Texas DPO. The Texas DPO amount of $18.5 million represents a discount of 36% on the total principal outstanding of $28.7 million on these two loans (as of July 31, 2024).

BMO Loan

On July 24, 2024, the Company entered into a loan agreement with BMO Bank N.A. in the amount of $8.7 million that is secured by two of the Company's communities.

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

This Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to help provide an understanding of our business and results of operations. This MD&A should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. This report, including the following MD&A, contains forward-looking statements regarding future events or trends that should be read in conjunction with the risks, uncertainties and other factors described under “Cautionary Note Regarding Forward-Looking Statements” above in this Quarterly Report on Form 10-Q and “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on March 27, 2024, as well as “Item. 1A. Risk Factors” in this Quarterly Report on Form 10-Q. Actual results may differ materially from those projected in such statements as a result of such risks, uncertainties and other factors. Unless otherwise specified or where the context otherwise requires, references in this Report to “our,” “we,” “us,” “Sonida”, the “Company” and “our business” refer to Sonida Senior Living, Inc., together with its consolidated subsidiaries.

Overview

The following discussion and analysis addresses (i) the Company’s results of operations for the three and six months ended June 30, 2024 and 2023, and (ii) liquidity and capital resources of the Company.

The Company is a leading owner, operator and investor of senior housing communities in the United States. The Company’s operating strategy is to provide value to its senior living residents by providing quality senior living services at reasonable prices, while achieving and sustaining a strong, competitive position within its geographically concentrated regions, as well as continuing to enhance the performance of its operations. The Company generally provides senior living services to the 75+ population, including independent living, assisted living, and memory care services at reasonable prices. Many of the Company’s communities offer a continuum of care to meet each of their resident’s needs as they change over time. This continuum of care, which integrates independent living, assisted living, and memory care that may be bridged by home care through independent home care agencies, sustains our residents’ autonomy and independence based on their physical and mental abilities.

As of June 30, 2024, the Company operated 78 senior housing communities in 19 states with an aggregate capacity of approximately 8,700 residents, including 66 owned senior housing communities (4 through a joint venture) and 12 communities that the Company third-party manages.

Significant Financial and Operational Highlights

Operations

The Company derives its revenue primarily by providing senior living and healthcare services to seniors. During the three months ended June 30, 2024, the Company generated resident revenue of $63.1 million compared to resident revenue of $57.0 million in the three months ended June 30, 2023, representing an increase of 10.7%. The increase in revenue was primarily due to increased occupancy and to a lesser extent, increased average rent rates, and one additional owned community that was acquired in May 2024. During the six months ended June 30, 2024, the Company generated resident revenue of $123.8 million compared to $113.6 million during the six months ended June 30, 2023, representing an increase of 9.0%. The increase in revenue was primarily due to increased occupancy and to a lesser extent, increased average rent rates and one additional owned community that was acquired in May 2024.

Weighted average occupancy for the three months ended June 30, 2024 and 2023 for the 61 same-store communities owned by the Company was 86.2% and 83.9%, respectively, reflecting continued occupancy growth. The average monthly rental rate for these communities for the three months ended June 30, 2024 was 8.4% higher as compared to the three months ended June 30, 2023.

Weighted average occupancy for the six months ended June 30, 2024 and 2023 for the 61 same-store communities owned by the Company was 86.0% and 83.9%, respectively, reflecting continued occupancy growth. The average monthly rental rate for the six months ended June 30, 2024 was 7.1% higher as compared to the six months ended June 30, 2023.

Management Services

The Company has property management agreements with a third-party owner and a joint venture pursuant to which the Company manages certain communities on their behalf for a management fee based on gross revenues of the applicable communities, as well as an incentive management fee, and other customary terms and conditions. The Company managed twelve communities on behalf of the third-party owner during the six months ending June 30, 2024 and ten communities during the six months ending June 30, 2023. The Company managed four communities on behalf of a joint venture during the six months ending June 30, 2024 and none during the prior period.

Increase in Authorized Shares of Common Stock

In March 2024, following receipt of stockholder approval at the Special Meeting of the Company's stockholders, the Company filed an amendment to its Amended and Restated Certificate of Incorporation, with the Delaware Secretary of State to increase the number of authorized shares of the Company's common stock from 15,000,000 shares to 30,000,000 shares (the "Stockholder Approval"). The charter amendment became effective upon filing.

2024 Private Placement Transaction

On February 1, 2024, the Company entered into a securities purchase agreement (the "Securities Purchase Agreement") with Conversant Dallas Parkway (A) LP, Conversant Dallas Parkway (B) LP and several other shareholders (together, the "Investors"), pursuant to which the Investors agreed to purchase from the Company, and the Company agreed to sell to the Investors, in a private placement transaction (the "2024 Private Placement") pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), an aggregate of 5,026,318 shares of the Company's common stock at a price of $9.50 per share.

The 2024 Private Placement occurred in two tranches. The first tranche occurred on February 1, 2024, at which time 3,350,878 shares of common stock were issued and sold to the Investors for a total of $31.8 million. The second tranche occurred on March 22, 2024, at which time 1,675,440 shares of common stock were issued and sold to the Investors for a total of $15.9 million. The second tranche occurred following receipt of the Stockholder Approval. The Company used a portion of the proceeds from the first tranche to fund a portion of the cash purchase price for the 2024 Loan Purchase. The Company used the remaining proceeds for ongoing working capital, continued investments in community improvements, acquisitions of new communities, broader community programming and general corporate purposes. As of June 30, 2024, the majority of our common stock is held by Conversant Dallas Parkway (A) LP, Conversant Dallas Parkway (B) LP, and Conversant Dallas Parkway (D) LP (together, "Conversant" or the "Conversant Investors").

Macedonia Acquisition

In April 2024, the Company entered into an asset purchase agreement to acquire a community located in Macedonia, Ohio for a purchase price of $10.7 million plus transaction costs of $0.4 million. In May 2024, the Company closed on the acquisition and entered into a mortgage loan totaling $9.4 million. The Company purchased a Secured Overnight Financing Rate- ("SOFR") based interest rate cap ("IRC") to reduce exposure to the variable interest rate fluctuations associated with the new mortgage. The total cost of the IRC was $0.2 million and has an aggregate notional amount of $9.4 million. The IRC has a 24-month term and caps SOFR at 6.00%. See "Note 6–Notes Payable" and "Note 13–Fair Value Measurements" in the Notes to Condensed Consolidated Financial Statements.

The asset acquisition was recorded at relative fair value. We recorded $10.0 million in "Property and equipment, net" for tangible assets purchased; $1.2 million in "Other assets, net" for in-place leases; and $54 thousand in "Other liabilities" for below market leases for this acquisition in our condensed consolidated balance sheet.

Investment in Stone Unconsolidated Entities

In April 2024, the Company and KZ Stone Investor LLC ("KZ Investor") formed a new joint venture, Stone JV LLC ("Stone") for the purpose of acquiring, owning, and operating four senior housing communities located in the Midwest. In May 2024, Stone purchased the four communities for a purchase price of $64.0 million. KZ Investor is the controlling managing member of the newly formed venture and owns 66.67% of the entity as of June 30, 2024. Sonida owns a 33.33% noncontrolling interest of the new venture as of June 30, 2024, which was acquired through cash contributions in conjunction with the closing. Sonida operates the four communities for a management fee based on gross revenues of the applicable communities, as well as an incentive management fee, and other customary terms and conditions. Sonida's investment in the venture is accounted for under the equity method of accounting.

The Company has evaluated its investment in the Stone joint venture under ASC 810. The Company has determined that it does not have the power to direct the activities of the VIE that most significantly impact its economic performance and is not the primary beneficiary of the VIE in accordance with ASC 810. The Company's interests in the VIE are, therefore, accounted for under the equity method of accounting. The carrying amount of the Company's investment in the unconsolidated venture and maximum exposure to loss as a result of the Company's ownership interest in the joint venture was $22.3 million, which is included in equity method investments on the accompanying condensed consolidated balance sheet as of June 30, 2024.

The Company evaluates the realization of its investment in unconsolidated entities accounted for using the equity method if circumstances indicate the Company's investment is other than temporarily impaired. During the three and six months ended June 30, 2024, there were no impairments.

2024 Loan Repurchase Agreement and Ally Term Loan Expansion

We entered into an agreement with one of our previous lenders whereby the Company agreed to purchase the outstanding indebtedness it owed to such lender for a purchase price of $40.2 million (plus the reimbursement of certain amounts advanced to the Company by such lender). On February 2, 2024, the Company completed the purchase of the total outstanding principal balance of $74.4 million from the lender that was secured by seven of the Company's senior living communities (such transaction, the "2024 Loan Purchase"). The 2024 Loan Purchase was funded by expanding the Company's existing loan facility with Ally Bank ("Ally") by $24.8 million and the remainder was funded by proceeds from the 2024 Private Placement, see "Note 7–Securities Financing" in the Notes to Condensed Consolidated Financial Statements. The 2024 Loan Purchase and Ally financing closed on February 2, 2024, reduced notes payable by $49.6 million, and resulted in a gain on debt extinguishment totaling $38.1 million. The Company incurred deferred loan costs of $0.5 million as part of the Ally financing that are amortized over the loan term. As part of the agreement with Ally, the Company expanded its current interest rate cap to include the additional borrowing at a cost of $0.6 million. The expanded Ally debt facility is secured by six of the Company's senior living communities involved in the transaction.

Other Significant Transactions

Fannie Mae Loan Modification

On June 29, 2023, the Company entered into the Fannie Forbearance with Federal National Mortgage Association ("Fannie Mae") for all 37 of its encumbered communities, effective as of June 1, 2023 ("Fannie Forbearance Effective Date"). Under the Fannie Forbearance, Fannie Mae agreed to forbear on its remedies otherwise available under the community mortgages and Master Credit Facility ("MCF") in connection with reduced debt service payments made by the Company during the forbearance period. In connection with the Fannie Forbearance, the Company made a $5.0 million principal payment in July 2023. The Fannie Forbearance was the first of a two-step process to modify all existing mortgage loan agreements with Fannie Mae by October 2023 under proposed loan modification agreements, as defined in the Fannie Forbearance ("Loan Modification Agreements"). Terms outlined in an agreed upon term sheet accompanying the Fannie Forbearance were included in the Loan Modification Agreements as the final step to modify the various 37 Fannie Mae community mortgages and MCF prior to the expiration of the Fannie Forbearance, which was subsequently extended to October 6, 2023.

The Company entered into Loan Modification Agreements with Fannie Mae on October 2, 2023. The material terms of the Loan Modification Agreements were as follows:

- Maturities on 18 community mortgages, ranging from July 2024 to December 2026, were extended to December 2026. The remaining 19 communities under the MCF have existing maturities in January 2029.

- The Company is not required to make scheduled principal payments due under the 18 community mortgages and 19 communities under the MCF through the revised maturity date of December 2026 or 36 months from the Fannie Forbearance Effective Date, respectively.

- The monthly interest rate was reduced by a 1.5% weighted average on all 37 communities for 12 months from the Fannie Forbearance Effective Date and deferred (the "Fannie Interest Abatement Period"). The reduced interest rates expired on June 1, 2024.

- A second and final principal payment of $5.0 million was due in June 2024, the one-year anniversary of the Fannie Forbearance Effective Date, which the Company made on June 3, 2024.

- In the first twelve months following the effective date of the Loan Modification Agreements, the Company was required to escrow 50% of Net Cash Flow less Debt Service (as defined in the Fannie mortgages and MCF) on an

aggregate basis over all 37 Fannie Mae communities. The excess cash flow was deposited into a lender-controlled capital expenditure reserve on a monthly basis to support the re-investment into certain communities, as mutually determined by the Company and Fannie Mae. The Company was able to draw down such amounts on qualifying projects as the capital expenditures were incurred.

The Company determined that the Fannie loan modification was a troubled debt restructuring where the total cash outflows exceed the current carrying value of the debt. Restructuring costs related to the Loan Modification Agreements are included in deferred loan costs and are being amortized over the lives of the Fannie Mae loans.

Transactions Involving Certain Fannie Mae Loans

During 2020, the Company initiated a process to transfer the operations and ownership of 18 properties to Fannie Mae. In January 2023, the Company received notice that the foreclosure sales conducted by Fannie Mae had successfully transitioned the remaining two properties to new owners. This event relieved the Company of the existing Fannie Mae debt relating to the two properties. Accordingly, the Company recognized a total of $36.3 million for the gain on debt extinguishments for the six months ended June 30, 2023. With the transition of these two remaining properties, the 18 total Fannie Mae properties' foreclosure was complete.

2024 Ally Loan Amendments

On February 2, 2024, the Company expanded the existing loan facility with Ally by $24.8 million ("Ally Third Amendment") to partially fund the 2024 Loan Purchase. The Company incurred deferred loan costs of $0.5 million as part of the Ally financing that will be amortized over the loan term. As part of the Ally Third Amendment, the Company expanded its current interest rate cap to include the additional loan obligation at a cost of $0.6 million. The expanded Ally debt facility is secured by six of the Company's senior living communities involved in the 2024 Loan Purchase.

On May 22, 2024, the Company executed an amendment ("Ally Fourth Amendment") to the Ally term loan agreement. Ally Bank successfully syndicated a portion of its total term loan commitment to Cross River Bank. The Ally Fourth Amendment avails the Company to a $10 million delayed draw upon the achievement of certain financial covenants. Ally Bank retained $76.2 million of the initial term loan and $6.7 million of the delayed draw for a total of $82.9 million while Cross River Bank obtained $36.7 million of the initial term loan and $3.3 million of the delayed draw loan for a total of $40 million. Following the syndication, Ally Bank and Cross River Bank owned 67.5% and 32.5% of the outstanding principal balance, respectively. As each lender loans a specific amount to the debtor and has the right to repayment from the debtor this transaction is considered a loan syndication and the guidance in ASC 470-50 should be applied to the modified loans on a creditor-by-creditor basis. As Ally Bank was the sole lender prior to the syndication, there is no change in the allocation of deferred loan costs, and they will continue to be amortized over the loan term.

2023 Ally Loan Amendment

On June 29, 2023, and concurrent with the Fannie Forbearance, we executed an amendment ("2023 Ally Amendment") to the Ally term loan agreement ("Ally Term Loan" or "Ally Term Loan Agreement") and an amended guaranty ("Second Amended Ally Guaranty") with Ally Bank with terms as follows:

- With respect to the Second Amended Ally Guaranty, Ally granted the Company, as Guarantor, a waiver ("Limited Payment Guaranty Waiver" or "Waiver") of the liquid assets minimum requirement of $13.0 million for a 12-month period. On July 1, 2024, a new liquid assets threshold of $7.0 million became effective, with such threshold increasing $1.0 million per month through the earlier of the release of the Waiver period or December 31, 2024.

- During the Waiver period, a new and temporary liquid assets minimum threshold ("Limited Payment Guaranty Waiver Minimum Threshold") was established. The Limited Payment Guaranty Waiver Minimum Threshold is $6.0 million and is measured weekly. If breached, the "Excess Cash Flow Sweep" is triggered and all excess cash from the communities collateralizing the Ally Term Loan will be swept into an "Equity Cure Fund", as defined in the Ally Term Loan Agreement. As provided for in the 2023 Ally Amendment, the Excess Cash Flow Sweep, if triggered, will cease upon the achievement of meeting or exceeding the Limited Payment Guaranty Waiver Minimum Threshold for four consecutive weeks. Consistent with the Ally Term Loan, all amounts held in escrow (i.e., Debt Service Escrow and IRC Reserve) will be included and combined with the Company's unrestricted cash for purposes of measurement against the Limited Payment Guaranty Waiver Minimum Threshold.

- During the Waiver period, Ally will collect the equivalent of the monthly Ally Term Loan principal payment (as provided for in the Ally Term Loan Agreement) of approximately $117,000 through an Ally controlled escrow

("Waiver Principal Reserve Account"). Per the Fourth Ally Amendment and the expansion of our loan by $24.8 million, this escrow has increased by an average of $36,000 a month.

- Upon meeting the Ally Term Loan's Liquid Assets Threshold of $13.0 million, the Company may elect to remove the Waiver, with initial terms in the Ally Term Loan applicable again, except as described further below.

- In July 2023, we were required to fund $2.3 million to an interest rate cap reserve ("IRC Reserve") held by Ally, which represented the quoted cost of a one-year interest rate cap on the full $88.1 million notional value of the Ally Term Loan at a 2.25% SOFR strike rate. On December 1, 2023, the Company entered into a new SOFR-based interest rate cap transaction for an aggregate notional amount of $88.1 million at a cost of $2.4 million. The interest rate cap agreement has a 12-month term and caps the floating interest rate portion of our indebtedness with Ally Bank at 2.25%. Until the terms of the Limited Payment Guaranty Waiver have expired or have been met and elected at the Company's discretion, the IRC Reserve is required to be replenished to its replacement cost.

- Subsequent to the Waiver period, all funds in the Waiver Principal Reserve Account as well as any funds swept into the Equity Cure Fund will be released to the Company.

The foregoing description of the Fannie Forbearance, the 2023 Ally Amendment, Second Amended Ally Guaranty, and the Loan Modification Agreements and the transactions contemplated thereby do not purport to be complete and are subject to, and qualified in their entirety by, the full text of the Fannie Forbearance, the 2023 Ally Amendment and Second Amended Ally Guaranty which are filed as Exhibits 10.21, 10.22 and 10.23, respectively, and the Loan Modification Agreements, which are filed as Exhibits 10.24 and 10.25 to the Company's Annual Report on Form 10-K filed with the SEC on March 27, 2024.

Macedonia Loan

In connection with the Macedonia community acquisition in May 2024, the Company entered into a $9.4 million mortgage with a new lender. The mortgage has a 60-month term and a variable interest rate equal to 1-month term SOFR + 2.00%. The Company is not required to make scheduled principal payments for the first 36 months. The Company also entered into a SOFR-based IRC to reduce exposure to the variable interest rate fluctuations associated with the new mortgage. The total cost of the IRC was $0.2 million and has an aggregate notional amount of $9.4 million. The IRC has a 24-month term and caps SOFR at 6.00% from May 9, 2024 through May 1, 2026 with respect to such variable rate indebtedness.

Loan Modification

On August 5, 2024, the Company entered into loan modification agreements ("Texas Loan Modification") with one of its lenders on two owned communities in Texas. The original loan terms included maturities of April 2025 and October 2031, as well as cross-default provisions with each other. The Texas Loan Modification includes revised loan maturities of December 2025 on both communities, with the Company's option to make a discounted payoff ("Texas DPO") of the outstanding loan principal on or prior to November 1, 2024. As part of the consideration, the Company is required to pay a total restructure fee of $250,000 at the time of the Texas DPO. The Texas DPO amount of $18.5 million represents a discount of 36% on the total principal outstanding of $28.7 million on these two loans (as of July 31, 2024).

Conversant Equity Commitment

In connection with the Fannie Forbearance and 2023 Ally Amendment signed on June 29, 2023, the Company entered into a $13.5 million equity commitment agreement ("Equity Commitment") with Conversant for a term of 18 months. Sonida has the right, but not the obligation, to utilize Conversant's equity commitment and may draw on the commitment in whole or in part, subject to the terms and conditions therein and applicable laws and regulations. As of June 30, 2024, the Company had $3.5 million remaining under its Equity Commitment with Conversant, and the Equity Commitment is in effect through December 31, 2024.

Application of Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. For a discussion of our critical accounting policies and estimates, please refer to our Annual Report on Form 10-K for the year ended December 31, 2023. There have been no significant changes to our critical accounting policies since December 31, 2023.

Recent Accounting Guidance Adopted

See "Note 2–Summary of Significant Accounting Policies" in the Notes to Condensed Consolidated Financial Statements for a discussion of new accounting pronouncements and our assessment of any expected impact of these pronouncements, if known.

Results of Operations

Three months ended June 30, 2024 as compared to three months ended June 30, 2023

Revenues

Resident revenue for the three months ended June 30, 2024 was $63.1 million as compared to $57.0 million for the three months ended June 30, 2023, representing an increase of $6.1 million, or 10.7%. The increase in revenue was primarily due to increased occupancy and to a lesser extent, increased average rent rates, and one additional owned community that was acquired in May 2024. For the three months ended June 30, 2023, the Company received approximately $0.4 million in various relief funds received from state departments due to financial distress impacts of COVID-19 ("State Relief Funds"). For the three months ended June 30, 2024, the Company received no State Relief Funds.

Managed community reimbursement revenue for the three months ended June 30, 2024 was $6.4 million as compared to $5.4 million for the three months ended June 30, 2023, representing an increase of $1.0 million or 18.5%. The increase was primarily a result of managing more communities in the three months ended June 30, 2024 compared to the prior period.

Expenses

Operating expenses for the three months ended June 30, 2024 were $46.0 million as compared to $44.7 million for the three months ended June 30, 2023, representing an increase of $1.3 million, or 2.9%. In our consolidated community portfolio, the labor component of our operating expense increased approximately $1.2 million period-over-period. The additional increase of $0.1 million relates to other expenses.

General and administrative expenses for the three months ended June 30, 2024 were $9.2 million as compared to $6.6 million for the three months ended June 30, 2023, representing an increase of $2.6 million. The increase was primarily a result of an increase in labor and employee related expenses of $1.0 million, a $0.6 million increase in stock-based compensation expense, a $0.3 million increase in transaction costs, and a net increase in other expenses of $0.6 million.

Managed community reimbursement expense for the three months ended June 30, 2024 was $6.4 million as compared to $5.4 million for the three months ended June 30, 2023, representing an increase of $1.0 million or 18.5%. The increase was primarily a result of managing more communities in the three months ended June 30, 2024 compared to the prior period.

Interest expense for the three months ended June 30, 2024 was $9.0 million as compared to $8.6 million for the three months ended June 30, 2023, representing an increase of $0.4 million primarily due to the change in fair value of our IRC and the ending of the Fannie Interest Abatement Period ending on May 31, 2024.

Six months ended June 30, 2024 as compared to six months ended June 30, 2023

Revenues

Resident revenue for the six months ended June 30, 2024 was $123.8 million as compared to $113.6 million for the six months ended June 30, 2023, representing an increase of $10.2 million, or 9.0%. The increase in revenue was primarily due to increased occupancy and to a lesser extent, increased average rent rates, and one additional owned community that was acquired in May 2024. For the six months ended June 30, 2023, the Company received $2.4 million in State Relief Funds. For the six months ended June 30, 2024, the Company received no State Relief Funds.

Managed community reimbursement revenue for the six months ended June 30, 2024 was $12.5 million as compared to $10.3 million for the six months ended June 30, 2023, an increase of $2.2 million or 21.4%. The increase was primarily a result of managing more communities in the six months ended June 30, 2024 as compared to the prior period.

Expenses

Operating expenses for the six months ended June 30, 2024 were $92.3 million as compared to $88.5 million for the six months ended June 30, 2023, representing an increase of $3.8 million, or 4.3%. The increase is primarily attributable to the increase in labor over this period.

General and administrative expenses for the six months ended June 30, 2024 were $16.4 million as compared to $13.6 million for the six months ended June 30, 2023, representing an increase of $2.8 million. The increase was primarily a result of an increase in labor and employee related expenses of $1.6 million, an increase in stock-based compensation of $0.3 million, an increase in transaction costs of $0.3 million, and a net increase in other expenses of $0.6 million.

Managed community reimbursement expense for the six months ended June 30, 2024 was $12.5 million as compared to $10.3 million for the six months ended June 30, 2023, an increase of $2.2 million or 21.4%. The increase was primarily a result of managing more communities in the six months ended June 30, 2024 as compared to the prior period.

Interest expense for the six months ended June 30, 2024 was $17.6 million as compared to $17.4 million for the six months ended June 30, 2023, representing an increase of $0.2 million primarily due to the change in fair value of our IRC.

Gain on extinguishment of debt for the six months ended June 30, 2024 was $38.1 million. The gain relates to the derecognition of notes payable and liabilities as a result of the 2024 Loan Purchase from one of our lenders. Gain on extinguishment of debt for the six months ended June 30, 2023 was $36.3 million and related to the derecognition of notes payable and liabilities as a result of the transition of legal ownership of two communities to Fannie Mae, the holder of the related non-recourse debt.

Liquidity and Capital Resources

In addition to $9.5 million of unrestricted cash as of June 30, 2024, our future liquidity will depend in part upon our operating performance, which will be affected by prevailing economic conditions, and financial, business and other factors, some of which are beyond our control. Principal sources of liquidity are expected to be cash flows from operations, proceeds from equity offerings, proceeds from debt refinancings or loan modifications, and proceeds from the sale of owned assets. During 2023, we entered into loan modifications with Fannie Mae, an amendment with Ally Bank, including a revised Limited Payment Guaranty, and an Equity Commitment with Conversant. During the first quarter of 2024, we completed the 2024 Private Placement pursuant to which we issued and sold an aggregate of 5.0 million shares of our common stock to several of our shareholders for gross cash proceeds of $47.8 million, which enabled us to purchase all of the Company's debt then outstanding with a certain lender at a substantial discount, as well as fund future working capital and growth initiatives. Additional financing of $24.8 million for the debt purchase was provided by Ally Bank through an expansion of the Company's existing Ally Bank term loan. On April 1, 2024, the Company entered into the At-the-Market Issuance Sales Agreement (the "ATM Sales Agreement"), whereby the Company may sell, at its option, shares of its common stock up to an aggregate offering price of $75,000,000. As of June 30, 2024, the Company has received $17.4 million net proceeds from the ATM sales. These transactions are expected to provide additional financial flexibility to us and increase our liquidity position. See "Note 6–Notes Payable," "Note 7–Securities Financing," and "Note 15–Subsequent Events" in the Notes to Condensed Consolidated Financial Statements.

In February 2024, in order to comply with Ally term loan requirements, the Company expanded its SOFR-based interest rate cap for an aggregate notional amount of $24.8 million at a cost of $0.6 million. The interest rate cap agreement has a 12-month term and caps the floating interest rate portion of our indebtedness with Ally Bank at 2.25%. As of June 30, 2024, the entire balance of our outstanding variable-rate debt obligations were covered by our interest rate caps to better manage our exposure to market risks associated with the fluctuations in interest rates.

The Company, from time to time, considers and evaluates financial and capital raising transactions related to its portfolio, including debt refinancings, purchases and sales of assets, equity offerings and other transactions. There can be no assurance that the Company will continue to generate cash flows at or above current levels, or that the Company will be able to obtain the capital necessary to meet the Company's short- and long-term capital requirements.

Recent changes in the current economic environment, and other future changes, could result in decreases in the fair value of assets, slowing of transactions, and the tightening of liquidity and credit markets. These impacts could make securing debt or refinancings for the Company or buyers of the Company's properties more difficult or on terms not acceptable to the Company. The Company's actual liquidity and capital funding requirements depend on numerous factors, including its operating results, its capital expenditures for community investment, and general economic conditions, as well as other factors described in "Item 1A. Risk Factors" of our 2023 Annual Report on Form 10-K filed with the SEC on March 27, 2024.

In summary, the Company's cash flows were as follows (in thousands):

	Six months ended June 30,		
	2024	2023	$ Change
Net cash provided by (used in) operating activities	$ (1,624)	$ 5,537	$ (7,161)
Net cash used in investing activities	(42,715)	(9,355)	(33,360)
Net cash provided by (used in) financing activities	50,372	(6,304)	56,676
Increase (decrease) in cash and cash equivalents and restricted cash	$ 6,033	$ (10,122)	$ 16,155

Operating activities

Net cash used in operating activities for the six months ended June 30, 2024 was $1.6 million as compared to net cash provided by operating activities of $5.5 million for the six months ended June 30, 2023. The change of $7.2 million is primarily due to the settlement of accounts payable and accrued expenses, and to a lesser extent, timing of accounts receivable collections during the six months ended June 30, 2024. Additionally, we received grants of $2.4 million in the six months ended June 30, 2023 from state departments due to financial distress impacts of COVID-19.

Investing activities

Net cash used in investing activities for the six months ended June 30, 2024 was $42.7 million primarily due to the acquisition of a new community of $11.1 million and acquisition of unconsolidated entities of $22.3 million, ongoing capital improvements combined with refurbishments at the Company's senior housing communities of $9.9 million, partially offset by $0.6 million from the proceeds from the sale of an unencumbered land parcel in January 2024. Net cash used in investing activities of $9.4 million for the six months ended June 30, 2023 is primarily the result of ongoing capital improvements and refurbishments at the Company's senior housing communities of $9.7 million, partially offset by $0.3 million from the proceeds from the sale of an unencumbered land parcel in March 2023.

Financing activities

Net cash provided by financing activities for the six months ended June 30, 2024 was $50.4 million primarily due to net proceeds from the issuance of common stock of $65.1 million and proceeds of $36.6 million from notes payable, partially offset by repayments of notes payable of $48.5 million and purchases of derivative assets of $1.9 million. The net cash used in financing activities for the six months ended June 30, 2023 was $6.3 million primarily due to repayments of notes payable.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

Effectiveness of Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The Company's disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to the Company's management, including the CEO and CFO as appropriate, to allow timely decisions regarding required disclosure.

Based upon the controls evaluation, procedures evaluation and the material weakness described in our Annual Report on Form 10-K, which was filed with the SEC on March 27, 2024, the Company's CEO and CFO have concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, the Company's disclosure controls and procedures are ineffective.

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's fiscal quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Remediation Plan

As disclosed in our 2023 Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on March 27, 2024, we identified a material weakness in our internal control over financial reporting, which has not been remediated as of June 30, 2024, as disclosed above.

We have developed and initiated a plan for remediation of the material weakness, including developing and maintaining appropriate management review and process level controls. We will continue to monitor the effectiveness of our remediation measures in connection with our future assessments of the effectiveness of internal control over financial reporting and disclosure controls and procedures, and we will make any changes to the design of our plan and take such other actions that we deem appropriate given the circumstances. Our control weaknesses will not be considered remediated until new internal controls have been operational for a period of time, are tested, and management concludes that these controls are operating effectively.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company has claims incurred in the normal course of its business. Most of these claims are believed by management to be covered by insurance, subject to normal reservations of rights by the insurance companies and possibly subject to certain exclusions in the applicable insurance policies. Whether or not covered by insurance, these claims, in the opinion of management, based on advice of legal counsel, should not have a material effect on the condensed consolidated financial statements of the Company if determined adversely to the Company.

Item 1A. Risk Factors.

There have been no material changes to the risk factors set forth in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023.

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

The following information is provided pursuant to Item 703 of Regulation S-K. The information set forth in the table below reflects the common stock purchased by the Company for the quarter ended June 30, 2024:

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share	Total Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
April 1 – April 30, 2024				6,570,222
May 1 – May 31, 2024				6,570,222
June 1 – June 30, 2024				6,570,222

[1] Does not include shares withheld to satisfy tax liabilities due upon the vesting of restricted stock, all of which have been reported in Form 4 filings relating to the Company. The average price paid per share for such share withholding is based on the closing price per share on the vesting date of the restricted stock or, if such date is not a trading day, the trading day immediately prior to such vesting date.

On January 22, 2009, the Company's Board approved a share repurchase program that authorized the Company to purchase up to $10.0 million of the Company's common stock. On January 14, 2016, the Company announced that its Board approved a continuation of the share repurchase program. The repurchase program does not obligate the Company to acquire any particular amount of common stock and the share repurchase authorization has no stated expiration date. All shares that have been acquired by the Company under this program were purchased in open-market transactions. The Company may evaluate whether to acquire additional shares of common stock under this program at its discretion and subject to applicable laws and regulations.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The following documents are filed as a part of this report. Those exhibits previously filed and incorporated herein by reference are identified below. Exhibits not required for this report have been omitted.

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Registrant. (Incorporated by reference to Exhibit 3.1 to the Registration Statement No. 333-33379 on Form S-1/A filed by the Company with the Securities and Exchange Commission on September 8, 1997.)
3.1.1	Amendment to Amended and Restated Certificate of Incorporation of the Registrant. (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999, filed by the Company with the Securities and Exchange Commission.)
3.1.2	Second Amendment to Amended and Restated Certificate of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on December 14, 2020.)
3.1.3	Third Amendment to Amended and Restated Certificate of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on November 4, 2021.)
3.1.4	Fourth Amendment to Amended and Restated Certificate of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on November 10, 2021.)
3.1.5	Fifth Certificate of Amendment to the Amended and Restated Certificate of Incorporation, as amended, of Sonida Senior Living, Inc. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on June 16, 2023.)
3.1.6	Sixth Certificate of Amendment to the Amended and Restated Certificate of Incorporation, as amended, of Sonida Senior Living, Inc. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on March 22, 2024.)
3.2	Second Amended and Restated Bylaws of the Registrant. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on March 8, 2013.)
3.2.1	Amendment to the Second Amended and Restated Bylaws of the Registrant (Incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on November 10, 2021.)
3.2.2	Second Amendment to the Second Amended and Restated Bylaws of Registrant. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on March 27, 2024.)
3.3	Certificate of Designation, Rights and Privileges of Series A Convertible Preferred Stock, par value $0.01, of the Company (Incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on November 4, 2021.)
10.1	At-The-Market Issuance Sales Agreement, dated April 1, 2024, by and between Sonida Senior Living, Inc. and Mizuho Securities USA LLC. (Incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on April 1, 2024.)
10.2	Securities Purchase Agreement, dated as of February 1, 2024, by and between Sonida Senior Living, Inc., Conversant Dallas Parkway (A) LP, Conversant Dallas Parkway (B) LP, Silk Partners, LP, PF Investors, LLC, Solas Capital Partners, LP, Solas Capital Partners II, LP, Blackwell Partners LLC - Series A, and Paul J. Isaac. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on February 6, 2024.)
10.3	Amendment No. 4 to Sonida Senior Living, Inc. 2019 Omnibus Stock and Incentive Plan, as amended. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed by the Company
31.1*	Certification of Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a)
31.2*	Certification of Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a)
32.1*	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101*	The following materials from the Company's Quarterly Report on Form 10-Q for the six months ended June 30, 2024 formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Condensed Consolidated Statements of Operations, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Cash Flows, (iv) the Condensed Consolidated Statements of Shareholders' Equity (Deficit) and (v) related notes.
104*	Cover page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

SIGNATURES

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

Sonida Senior Living, Inc
(Registrant)

By: /s/ BRANDON M. RIBAR

Brandon M. Ribar

President, Chief Executive Officer and Director
(Principal Executive Officer)
Date: August 12, 2024

By: /s/ KEVIN J. DETZ

Kevin J. Detz

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
Date: August 12, 2024