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

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2024

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

Commission file number: 000-52566

SUMMIT HEALTHCARE REIT, INC.

(Exact name of registrant as specified in its charter)

Maryland **(State or other jurisdiction of incorporation or organization)**	**73-1721791** **(I.R.S. Employer Identification No.)**

23382 Mill Creek Drive, Suite 125, Laguna Hills, CA 92653
(Address of Principal Executive Offices)

800-978-8136
(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Ticker symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

Securities registered pursuant to section 12(g) of the Act:
Common stock, $0.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

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

As of June 30, 2024 (the last business day of the Registrant's second fiscal quarter), there were 23,027,978 shares of common stock held by non-affiliates of the Registrant. While there is no established trading market for the Registrant's shares of common stock, the last price paid to acquire a share in the Registrant's primary public offering, which was terminated on November 23, 2010, was $8.00. See *ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES* for our per share estimated value.

As of March 14, 2025 there were 23,027,978 shares of common stock of Summit Healthcare REIT, Inc. outstanding.

SUMMIT HEALTHCARE REIT, INC.
(A Maryland Corporation)

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PART I

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

As used in this report, “we,” “us,” “our” and the “Company” refer to Summit Healthcare REIT, Inc. and its consolidated subsidiaries, except where the context otherwise requires.

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words “believes,” “projects,” “expects,” “anticipates,” “estimates,” “intends,” “strategy,” “plan,” “may,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in the section entitled “Risk Factors” in Item 1A of this report. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, there can be no assurance that our expectations will be realized.

ITEM 1. BUSINESS

Our Company

Summit Healthcare REIT, Inc. (“Summit”), a Maryland corporation, formed in 2004, invests in and owns real estate. We continue to qualify as a real estate investment trust (“REIT”) for federal tax purposes. We are structured as an umbrella partnership REIT, referred to as an “UPREIT,” under which substantially all of our business is conducted through Summit Healthcare Operating Partnership, L.P. (“Operating Partnership”).

We are self-managed and have employees to directly manage our operations. At December 31, 2024, we own a 99.88% general partner interest in the Operating Partnership while Cornerstone Realty Advisors, LLC (“CRA”), a former affiliate, owns a 0.12% limited partnership interest.

Summit and the Operating Partnership are managed and operated as one entity, and Summit has no significant assets other than its investment in the Operating Partnership. Summit, as the sole general partner of the Operating Partnership, controls the Operating Partnership and consolidates the assets, liabilities, and results of operations of the Operating Partnership.

We are currently focused on investing in healthcare real estate assets, more specifically senior housing facilities, which we believe to be accretive to earnings and potentially stockholder value. Senior housing facilities include independent living (“IL”), skilled-nursing facilities (“SNF”), assisted living (“AL”), memory care (“MC”) and continuing care retirement communities (“CCRC”). Each of these caters to different segments of the senior population. AL and IL facilities provide residents a place to reside that offers medical monitoring and certain medical care while still maintaining personal privacy and freedom. MC facilities are similar to AL facilities in that residents may live in semi-private apartments or private rooms and have structured activities delivered by staff members specifically trained to care for those with memory impairment. Most AL, IL and MC facilities are paid for with private funds. SNFs are typically dependent on government reimbursement programs. SNFs are for seniors in need of continuous medical attention or recovery and therapy after a hospital visit but do not require the more extensive and sophisticated treatment available at hospitals. Sub-acute care services are provided to residents beyond room and board. Certain SNFs provide some services on an outpatient basis. Skilled nursing services are paid for either by private sources, insurance, Medicare or Medicaid programs.

As of December 31, 2024, our ownership interests in our seven real estate properties of senior housing facilities was as follows: 100% ownership of three properties, and a 95.3% ownership interest in four properties held in a consolidated joint venture, Cornerstone Healthcare Partners LLC. We also have three unconsolidated equity-method investments (collectively, our “Equity-Method Investments”) with interests ranging from 10% - 20% that hold an aggregate of 17 properties. We generally lease our senior housing facilities to tenants on a triple net basis, with an initial leasehold term of 10 to 15 years with one or more five-year renewal options. Under a triple net lease, the tenant pays or reimburses the owner for all or substantially all property operating expenses and capital expenditures.

Each of our tenants holds the license to operate the facility, employs all facility employees (facility administrator, nurses, housekeeping staff, etc.), contracts directly with residents or patients and receives all facility-related revenue, and bears all of the expenses and other obligations of the property, including rent payments to us. Most, if not all, of our tenants engage a separate, affiliated management company ("operator/manager") to assist with back-office management of the facility (e.g. bookkeeping, human resources, and payroll processing).

Cornerstone Healthcare Partners LLC – Consolidated Joint Venture

We own 95% of Cornerstone Healthcare Partners LLC ("CHP LLC"), which was formed in 2012, and the remaining 5% noncontrolling interest is owned by Cornerstone Healthcare Real Estate Fund, Inc. ("CHREF"), an affiliate of CRA. CHP LLC is consolidated within our financial statements and owns four properties (each, a "JV Property" and collectively, the "JV Properties").

As of December 31, 2024 and 2023, we own a 95.3% interest in the four JV Properties, and CHREF owns a 4.7% interest.

Summit Union Life Holdings, LLC – Equity-Method Investment

In April 2015, through our Operating Partnership, we entered into a limited liability company agreement (as amended, the "SUL LLC Agreement") with Best Years, LLC ("Best Years"), an unrelated entity and a U.S.-based affiliate of Union Life Insurance Co, Ltd. (a Chinese corporation), and formed Summit Union Life Holdings, LLC (the "SUL JV"). The SUL JV is not consolidated in our consolidated financial statements and is accounted for under the equity-method in our consolidated financial statements. As of December 31, 2024 and 2023, we have a 10% interest in the SUL JV which owns nine properties as of December 31, 2024 and owned 15 properties as of December 31, 2023. See Note 5 to the accompanying Notes to Consolidated Financial Statements for further information.

Equity-Method Partner – Fantasia Investment III LLC– Equity-Method Investments

In 2016 and 2017, through our Operating Partnership, we entered into two separate limited liability company agreements (collectively, the "Fantasia Agreements") with Fantasia Investment III LLC ("Fantasia"), an unrelated entity and a U.S.-based affiliate of Fantasia Holdings Group Co., Limited (a Chinese corporation listed on the Stock Exchange of Hong Kong (HKEX)), and formed three separate companies, Summit Fantasia Holdings, LLC ("Fantasia I JV") (through July 2023 when it became a consolidated wholly owned subsidiary), Summit Fantasia Holdings II, LLC ("Fantasia II JV") of which we own a 20% interest in two skilled nursing facilities located in Rhode Island, and Summit Fantasia Holdings III, LLC ("Fantasia III JV") (through May 2024 when all of its property holdings were sold), for which we owned a 10% interest in eight skilled nursing facilities located in Connecticut (collectively, the "Fantasia JVs"). See Note 5 to the accompanying Notes to Consolidated Financial Statements for further information.

Summit Fantasy Pearl Holdings, LLC – Equity-Method Investment

In October 2017, through our Operating Partnership, we entered into a limited liability company agreement ("FPH LLC Agreement") with Fantasia, Atlantis Senior Living 9, LLC, a Delaware limited liability company ("Atlantis"), and Fantasy Pearl LLC, a Delaware limited liability company ("Fantasy"), and formed Summit Fantasy Pearl Holdings, LLC (the "FPH JV"). The FPH JV is not consolidated in our consolidated financial statements and is accounted for under the equity-method in our consolidated financial statements. As of December 31, 2024 and 2023, we have a 10% interest in the FPH JV which owns six properties.

Taxable REIT Subsidiaries

Summit Healthcare Asset Management, LLC (TRS)

Summit Healthcare Asset Management, LLC (the "SAM TRS") is our wholly-owned taxable REIT subsidiary ("TRS"). We serve as the manager of the SUL JV, Fantasia I JV (through July 2023), Fantasia II JV, Fantasia III JV, and FPH JV (collectively, our "Equity-Method Investments") and provide various services in exchange for fees and reimbursements. All acquisition fees and management fees are paid to SAM TRS and expenses incurred by us, as the manager, are reimbursed from SAM TRS.

SHOP TRS LLC

SHOP TRS LLC ("SHOP TRS") is our wholly-owned taxable REIT subsidiary that is the sole member for two of our 100% owned real estate properties that are leased to an affiliated subsidiary (Pennington Gardens Operations LLC ("Pennington Gardens") and Sundial Operations LLC ("Sundial Assisted Living"), collectively, the "Operated Properties") and the operations are consolidated in our consolidated financial statements.

Recent Developments

In response to the decline in value of senior housing facilities, as well as various other market conditions impacting the performance of our asset portfolio, we have spent the last several years evaluating the value proposition of each of our asset holdings and assessing how to best maximize their value for the benefit of our stockholders. In several cases, this has meant seeking the sale of our properties and concentrating our efforts towards the properties showing the most economic stability and potential for growth.

As of December 31, 2023, our ownership interests in our 18 real estate properties of senior housing facilities was as follows: 100% ownership of 14 properties and 95.3% ownership interest in four properties held in a consolidated joint venture, Cornerstone Healthcare Partners LLC. In March 2024, we derecognized eight skilled nursing facilities located in Georgia (collectively, the “GA8 Properties”) and in December 2024, transferred ownership in exchange for being released from all debt and guarantee obligations associated with such properties. In September 2024, we sold three properties located in California (collectively, the “CA3”) and recorded a $11.2 million gain on sale.

With respect to our equity-method investments, in May 2024, the Fantasia III JV sold their eight properties for approximately $60.0 million. We received approximately $2.1 million in cash from the sale resulting in the winding-up of our equity-method investment and as such, as of May 2, 2024, we no longer have an equity-method interest in the Fantasia III JV. Additionally, during the year ended December 31, 2024, the SUL JV sold six properties within the SUL JV and we received an aggregate of approximately $2.9 million in cash.

Investment Strategy

We intend to continue acquiring a portfolio of healthcare real estate assets, although we may also invest in other real estate-related assets that we believe may assist us in meeting our investment objectives. Our charter does not allow investments in mortgage loans on unimproved real property, but we are not otherwise restricted in our investment allocation to any specific type of property. We periodically review our investment policies to determine whether these policies continue to be in the best interest of our stockholders.

Acquisition Policies

Primary Investment Focus

We intend to acquire healthcare-related real estate assets that are:

- stabilized;
- operated by high-quality and experienced tenants and operators/managers;
- of high-quality and currently producing income; and
- fee simple.

The properties in which we invest may not meet all of these criteria and the relative importance that we assign to any one or more of these criteria may differ from asset to asset and change as general economic and real estate market conditions evolve. We may also consider additional important criteria in the future.

Joint Ventures and Other Potential Investments

We may invest in any type of real estate investment that we believe to be in the best interests of our stockholders, including other real estate funds or REITs, mortgage funds, mortgage loans of developed properties, and sale leasebacks. Furthermore, there are no restrictions on the number or size of properties we may purchase or on the amount that we may invest in a single property. Although we may invest in any type of real estate investment, our charter restricts certain types of investments. We do not intend to underwrite securities of other issuers or to engage in the purchase and sale of any types of investments other than real estate investments.

We may acquire additional properties through joint venture investments in the future or sell a percentage of our existing properties to a joint venture partner, which may result in the deconsolidation of properties we already own. We anticipate acquiring properties through joint ventures in order to diversify our portfolio of properties in terms of geographic region, facility type and operator/manager, among other reasons. Joint ventures typically also allow us to acquire an interest in a property without funding the entire purchase price. In addition, certain properties may be available to us only through joint ventures. In determining whether to recommend a particular joint venture, management will evaluate the financial condition of the joint venture partner, structure of the joint venture, and the real property that such joint venture owns or is being formed to own under the same criteria. We may form additional entities in conjunction with joint ventures. These entities may employ debt financing consistent with our borrowing policies. See “Borrowing Policies” below. Our joint ventures may take the form of equity joint ventures with one or more large institutional partners.

We continue to believe that raising institutional equity to make acquisitions will be accretive to shareholder value. Our sole source of equity funding since 2015 has been institutional funds raised through a joint venture structure and accounted for as equity-method investments. We still believe this is a prudent strategy for growth; however, in the future, we may raise additional equity capital through alternative methods if warranted by market conditions or other factors.

Borrowing Policies

We may acquire properties initially with temporary financing or permanent long-term debt financing with the objective of increasing income and increasing the amount of capital available to us so that we achieve greater property diversification.

We may incur indebtedness for working capital requirements, capital improvements, and to make distributions, including but not limited to those necessary in order to maintain our qualification as a REIT for federal income tax purposes. We have secured, and we may continue to secure, indebtedness with some or all of our properties if a majority of our directors determine that it is in the best interests of the Company and our stockholders to do so. We may also acquire properties encumbered with existing financing which cannot be immediately repaid.

We may invest in joint venture entities that borrow funds or issue senior equity securities to acquire properties, in which case our equity interest in the joint venture would be junior to the rights of the lender or preferred equity holders.

Our charter limits our borrowings to 300% of our net asset value, as defined in our charter, unless any excess borrowing is approved by a majority of our directors and is disclosed to our stockholders in our next quarterly report with an explanation from our directors of the justification for the excess borrowing.

Concentration Risks

As of December 31, 2024, we owned one property in California, three properties in Oregon, one property in Texas, one property in Illinois, and one property in Arizona (excluding the 17 properties held by our Equity-Method Investments). Accordingly, there is a geographic concentration of risk subject to economic conditions in certain states.

Additionally, as of December 31, 2024, we leased our 5 real estate properties to 3 different tenants under long-term triple net leases. For the year ended December 31, 2024, all three tenants each had rental revenue greater than 10% (50%, 31% and 19%).

As of December 31, 2023, we leased our 16 real estate properties to 14 different tenants under long-term triple net leases. For the year ended December 31, 2023, three of the 14 tenants each had rental revenue greater than 10% (17%, 14%, and 10%).

As of December 31, 2024, none of our real estate properties are considered a significant asset concentration as none were greater than 20% of our total assets.

Competition

We compete with a considerable number of other real estate investment companies and investors, which may have greater marketing and financial resources than we do. Principal factors of competition in our business are the availability and quality of properties (including the design and condition of improvements), leasing terms (including rent and other charges and allowances for tenant improvements), attractiveness and convenience of location, the quality and breadth of tenant services provided and reputation as an owner and operator/manager of quality properties in the relevant market. Our ability to compete also depends on, among other factors, trends in the national and local economies, financial condition and operating results of current and prospective tenants, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation and population trends.

Government Regulations Applicable to our Business

Health Law Matters — Generally

The healthcare properties in our portfolio are subject to extensive federal, state, and local licensure, registration, certification, and inspection laws, regulations, and industry standards. Our tenants’ failure to comply with any of these, and other, laws could result in loss of accreditation; denial of reimbursement; imposition of fines; suspension, decertification, or exclusion from federal and state healthcare programs; loss of license; or closure of the facility.

Licensing and Certification

The primary regulations affecting ALs are state licensing and registration laws. In granting and renewing these licenses, state regulatory agencies consider numerous factors relating to a property's physical plant and operations, including, but not limited to, admission and discharge standards, staffing, and training. A decision to grant or renew a license is also affected by a tenant's record with respect to patient and consumer rights, medication guidelines, and other regulations.

With respect to licensure, generally tenants of SNFs are required to be licensed and certified for participation in Medicare, Medicaid, and other state and federal healthcare programs. This generally requires license renewals and compliance surveys on an annual or bi-annual basis. Our tenants' failure to maintain or renew any required license or regulatory approval, as well as their failure to correct serious deficiencies identified in a compliance survey, could require those tenants to discontinue operations at a facility. In addition, if a facility is found to be out of compliance with Medicare, Medicaid, or other healthcare program conditions of participation, the facility tenant may be excluded from participating in those government healthcare programs. Any such occurrence may impair a tenant's ability to meet their financial obligations to us. If we must replace an excluded tenant, our ability to replace the tenant may be affected by federal and state laws, regulations, and applicable guidance governing changes in provider control. This may result in payment delays, an inability to find a replacement tenant, a significant working capital commitment from us to a new tenant or other difficulties.

Certain healthcare facilities are subject to a variety of licensure and certificate of need ("CON") laws and regulations. Where applicable, CON laws generally require, among other requirements, that a facility demonstrate the need for (1) constructing a new facility, (2) adding beds or expanding an existing facility, (3) investing in major capital equipment or adding new services, (4) changing the ownership or control of an existing licensed facility, or (5) terminating services that have been previously approved through the CON process. Certain state CON laws and regulations may restrict the ability of tenants to add new properties or expand an existing facility's size or services. In addition, CON laws may constrain the ability of a tenant to transfer responsibility for operating a particular facility to a new tenant. If we must replace a tenant who is excluded from participating in a federal or state healthcare program, our ability to replace the tenant may be affected by a particular state's CON laws, regulations, and applicable guidance governing changes in provider control.

Reimbursement

Some states offer Medicaid reimbursement to AL providers as an alternative to institutional long-term care services. And some states seek waivers from typical Medicaid requirements to develop cost-effective alternatives to long-term care, including Medicaid payments for AL and home health care.

SNFs typically receive most of their revenues from the Medicare and Medicaid programs, with the balance representing payments from private payors, including private insurers. Consequently, changes in federal or state reimbursement policies may also adversely affect a tenant's ability to cover its expenses, including Patient-Driven Payment Model (PDPM) which was implemented in 2019. SNFs are subject to periodic pre- and post-payment reviews, and other audits by federal and state authorities. A review or audit of a tenant's claims could result in recoupments, denials, or delay of payments in the future, which could have a material adverse effect on the tenant's ability to meet its financial obligations to us. Due to the significant judgments and estimates inherent in payor settlement accounting, no assurance can be given as to the adequacy of any reserves maintained by our tenants to cover potential adjustments to reimbursements, or to cover settlements made to payors. Recent attention on skilled nursing billing practices and payments or ongoing government pressure to reduce spending by government healthcare programs, could result in lower payments to SNFs and, as a result, may impair a tenant's ability to meet its financial obligations to us.

The reimbursement methodologies applied to healthcare facilities continue to evolve. Federal and state authorities have considered and may seek to implement new or modified reimbursement methodologies that may negatively impact healthcare property operations. The impact of any such changes, if implemented, may result in a material adverse effect on our skilled nursing property operations. No assurance can be given that current revenue sources or levels will be maintained. Accordingly, there can be no assurance that payments under a government healthcare program are currently, or will be in the future, sufficient to fully reimburse the tenants for their operating and capital expenses. As a result, this may impair a tenant's ability to meet its financial obligations to us.

Other Related Laws

SNFs (and participating senior housing facilities that receive Medicare and Medicaid payments) are subject to federal, state, and local laws, regulations, and applicable guidance that govern the operations and financial and other arrangements that may be entered into by healthcare providers. Certain of these laws prohibit direct or indirect payments of any kind for the purpose of inducing or encouraging the referral of patients for medical products or services reimbursable by government healthcare programs. Other laws require providers to furnish only medically necessary services and submit to the government valid and accurate statements for each service. Still, other laws require providers to comply with a variety of safety, health and other requirements relating to the condition of the licensed property and the quality of care provided. Sanctions for violations of these laws, regulations, and other applicable guidance may include, but are not limited to, criminal and/or civil penalties and fines, loss of licensure, immediate termination of government payments, and exclusion from any government healthcare program. In certain circumstances, violation of these rules (such as those prohibiting abusive and fraudulent behavior) with respect to one property may subject other facilities under common control or ownership to sanctions, including exclusion from participation in the Medicare and Medicaid programs, as well as other government healthcare programs. In the ordinary course of its business, a tenant is regularly subjected to inquiries, investigations, and audits by the federal and state agencies that oversee these laws and regulations.

The Centers for Medicare and Medicaid Services ("CMS") finalized a nursing home minimum staffing rule in 2024. This rule includes a staffing mandate for Medicare- and Medicaid-certified nursing homes to provide a minimum number of care hours per resident per day from registered nurses and nurse aids. Several nursing home associations, healthcare groups, and state governments have either filed lawsuits or signaled intent to challenge the CMS rule. The rule may be subject to injunctions or delays if courts find merit in these arguments. However, if the lawsuits are unsuccessful, our tenants' operations may be affected by this or any other minimum staffing mandate due to chronic workforce challenges in certain geographic areas as well as upward pressure on wages.

Environmental Regulations

Our properties may be affected by our tenants' operations, the existing condition of land when we buy it, operations in the vicinity of our properties, such as the presence of underground and above-ground storage tanks, or activities of unrelated third parties. The presence of hazardous substances, or the failure to properly remediate these substances, may make it difficult or impossible to sell or rent such property.

We obtain satisfactory Phase I environmental assessments on each property we purchase. A Phase I assessment is an inspection and review of the property, its existing and prior uses, aerial maps and records of government agencies for the purpose of determining the likelihood of environmental contamination. A Phase I assessment includes only non-invasive testing. It is possible that environmental liabilities related to a property we purchase will not be identified in the Phase I assessments we obtain or that a prior owner, tenant or current occupant has created (or will create) an environmental condition which we do not know about. There can be no assurance that future law, ordinances or regulations will not impose material environmental liability on us or that the current environmental condition of our properties will not be affected by our tenants, or by the condition of land or operations in the vicinity of our properties such as the presence of underground and above-ground storage tanks or groundwater contamination.

Other Information

Our executive offices are located at 23382 Mill Creek Drive, Suite 125, Laguna Hills, CA 92653. Our current lease, which covers approximately 5,241 square feet in a two-story office building, expires in April 2026, or upon thirty days written notice by the landlord. As of December 31, 2024, we have seven full-time employees.

Available Information

Information about us is available on our website (http://www.summithealthcarereit.com/). We make available, free of charge on our internet website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with the Securities and Exchange Commission ("SEC"). Our filings with the SEC are available to the public over the internet at the SEC's website at http://www.sec.gov.

ITEM 1A. RISK FACTORS

The risks and uncertainties described below can adversely affect our business, operating results, prospects and financial condition. These risks and uncertainties could cause our actual results to differ materially from those presented in our forward-looking statements.

General Risks of the Company

Because there is no public trading market for our stock, it will be difficult for stockholders to sell their stock.

There is no current public market for our stock and there is no assurance that a public market will ever develop for our stock. Our charter contains restrictions on the ownership and transfer of our stock, and these restrictions may inhibit our stockholders' ability to sell their stock further limiting any potential market.

We believe the value of our stock owned by our stockholders has declined substantially from the issue price. It may be difficult for our stockholders to sell their stock promptly or at all. If our stockholders are able to sell shares of stock, they may only be able to sell them at a substantial discount from the price they paid. This may be the result, in part, because the amount of funds available for investment was reduced by sales commissions, dealer manager fees, organization and offering expenses, and acquisition fees and expenses. As of December 31, 2024, our estimated per-share value of our common stock was $2.19 per share. Unless our aggregate investments increase in value to compensate for upfront fees and expenses and prior declines in value, it is unlikely that our stockholders will be able to sell their stock without incurring a substantial loss. We cannot assure our stockholders that their stock will ever appreciate in value to equal the price they paid for their stock. Stockholders should consider their stock as an illiquid investment, and they must be prepared to hold their stock for an indefinite period of time.

We have limited liquidity and we may be required to pursue certain measures in order to maintain or enhance our liquidity.

Liquidity is essential to our business and our ability to operate and to fund our existing obligations. We are dependent on external debt financing, joint venture opportunities and cash from our operating properties to fund our ongoing operations. We may not find suitable joint venture partners willing to provide capital at terms acceptable to us or at all. Our access to debt financing depends on the willingness of third parties to provide us with corporate- or asset-level debt. It also depends on conditions in the capital markets generally. A rising interest rate environment makes capital more expensive and more difficult to raise. We cannot be certain that sufficient funding will be available to us in the future on terms that are acceptable to us, if at all. If we cannot obtain sufficient funding on acceptable terms, or at all, we will not be able to operate and/or grow our business, which would likely have a negative impact on the value of our common stock and our ability to make distributions to our stockholders. In such an instance, a lack of sufficient liquidity would have a material adverse impact on our operations, cash flow and financial condition. We may be required to pursue certain measures in order to maintain or enhance our liquidity, including seeking the extension or replacement of our debt facilities, potentially selling assets at unfavorable prices and/or reducing our operating expenses. We cannot assure you that we will be successful in managing our liquidity.

If we do not successfully implement a long-term business strategy, our stockholders may have to hold their investment for an indefinite period.

The timing of the sale of our Company or assets will depend on real estate and financial markets, economic conditions in the areas in which properties are located, and federal income tax effects on stockholders, that may prevail in the future. We cannot guarantee that we will be able to liquidate all of our assets. After we adopt a plan of liquidation, we would remain in existence until all properties and assets are liquidated. If we do not pursue a liquidity event, or delay such an event due to market conditions, our stockholders' shares may continue to be illiquid and they may, for an indefinite period of time, be unable to convert their investment to cash easily and could suffer losses on their investment. If we were to pursue a liquidation currently, our stockholders would likely not receive the amount of their original investment.

Our investments in new acquisitions may be limited, voluntarily or involuntarily.

We intend to continue acquiring a portfolio of healthcare real estate assets, although we may also invest in other real estate-related assets that we believe may assist us in meeting our investment objectives. That being said, we may be limited in our ability to acquire healthcare real estate assets as a result of the lack of availability of suitable products, lack of available funds or an inability to find suitable joint venture partners. We also may determine that based on the overall performance of our asset portfolio, the interests of the shareholders would be best served by concentrating our resources on the disposition of existing properties. There is no guarantee that the Company will be able to grow its portfolio through acquisitions or at all.

Cash distributions to our stockholders may be limited.

Our directors will determine the amount and timing of distributions. Our directors will consider all relevant factors, including the amount of cash available for distribution, capital expenditure, reserve requirements, general operational requirements, and the analysis of investing excess cash flow to grow the portfolio versus paying distributions to shareholders. We have not declared cash distributions per common share during the years ended December 31, 2024 and 2023.

A limit on the percentage of our securities a person may own may discourage a takeover or business combination, which could prevent our stockholders from realizing a premium price for their stock.

In order for us to qualify as a REIT, no more than 50% of our outstanding stock may be beneficially owned, directly or indirectly, by five or fewer individuals (including certain types of entities) at any time during the last half of each taxable year. To assure that we do not fail to qualify as a REIT under this test, our charter restricts direct or indirect ownership by one person or entity to no more than 9.8% in number of shares or value, whichever is more restrictive, of the outstanding shares of any class or series of our stock unless exempted by our board of directors. This restriction may have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price to our stockholders.

Our business could be negatively impacted by cyber and other security threats or disruptions.

We face various cyber and other security threats, including attempts to gain unauthorized access to sensitive information and networks; threats to the security of our leased facilities; and threats from terrorist acts or other acts of aggression. Although we use various procedures and controls to monitor and mitigate the risk of these threats, there can be no assurance that these procedures and controls will be sufficient. These threats could lead to losses of sensitive information or capabilities; harm to personnel, infrastructure or products; financial liabilities and damage to our reputation.

Cyber threats are evolving and include, but are not limited to, malicious software, destructive malware, attempts to gain unauthorized access to data, disruption or denial of service attacks, and other electronic security breaches that could lead to disruptions in mission critical systems, unauthorized release of confidential, personal or otherwise protected information (ours or that of our employees, tenants or partners), and corruption of data, networks or systems. In addition, we could be impacted by cyber threats or other disruptions or vulnerabilities found in our partners' or tenants' systems that are used in connection with our business. These events, if not prevented or effectively mitigated, could damage our reputation, require remedial actions and lead to loss of business, regulatory actions, potential liability and other financial losses.

The impact of these factors is difficult to predict, but one or more of them could result in the loss of information or capabilities, harm to individuals or property, damage to our reputation, loss of business, contractual or regulatory actions and potential liabilities, any one of which could have a material adverse effect on our financial position, results of operations and/or cash flows.

We are subject to risks of damage from catastrophic weather and other natural or man-made disasters and the physical effects of climate change.

Natural and man-made disasters, including terrorist attacks and acts of nature such as hurricanes, tornadoes, earthquakes, flooding and wildfires, may cause damage to our properties or business disruption to our tenants and operators. These adverse weather and natural or manmade events could cause substantial damage or loss to our properties which could exceed applicable property insurance coverage. Such events could also have a material adverse impact on our tenants' operations and ability to meet their respective obligations to us. In the event of a loss in excess of insured limits, we could lose our capital invested in the affected property, as well as anticipated future revenue from that property. Any such loss could materially and adversely affect our business and our financial condition and results of operations. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable. To the extent that significant changes in the climate occur in areas where our properties are located, we may experience more frequent extreme weather events which may result in physical damage to or a decrease in demand for properties located in these areas or affected by these conditions. In addition, changes in federal and state legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of our existing properties without a corresponding increase in revenue. Should the impact of climate change be material in nature, including destruction of our properties, or occur for lengthy periods of time, our financial condition or results of operations may be adversely affected.

Our Audit Committee and management have previously identified a material weakness in our internal controls over financial reporting, and we may be unable to develop, implement, and maintain appropriate controls in future periods.

The Sarbanes-Oxley Act and SEC rules require that management report annually on the effectiveness of our internal control over financial reporting and our disclosure controls and procedures. Among other things, management must conduct an assessment of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. As previously reported, based on our management's assessment, we believe that, as of December 31, 2023, our internal controls over financial reporting were not effective. The specific material weakness was described in Part II — Item 9A, "Controls and Procedures" of the Annual Report on Form 10-K for the fiscal year ended December 31, 2023 in "Management's Report on Internal Control over Financial Reporting". A "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements would not be prevented or detected. We have adopted a remediation plan to address the material weakness identified.

We believe that this material weakness has been remediated as of December 31, 2024, as described further in Part II — Item 9A, "Controls and Procedures" of this Annual Report on Form 10-K in "Management's Report on Internal Control over Financial Reporting". We cannot assure you that additional material weaknesses in our internal control over financial reporting will not be identified in the future. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in their implementation, could result in additional material weaknesses, and create a reasonable possibility that a material misstatement to the consolidated financial statements will not be prevented or detected on a timely basis. This could cause us to fail to meet our reporting obligations.

General Risks Related to Investments in Real Estate and Real Estate-Related Investments

Economic and regulatory changes that impact the real estate market may reduce our net income and the value of our properties.

We are subject to risks related to the ownership and operation of real estate, including but not limited to:

- worsening general or local economic conditions and financial markets could cause lower demand, tenant defaults, and reduced occupancy and rental rates, some or all of which would cause an overall decrease in revenue from rents;
- increases in competing properties in an area which could require increased concessions to tenants and reduced rental rates;
- increases in interest rates or unavailability of permanent mortgage funds which may render the sale of a property difficult or unattractive; and
- changes in laws and governmental regulations, including those governing real estate usage, zoning and taxes.

Some or all of the foregoing factors may affect our properties, which would reduce our net income, and our ability to make distributions to our stockholders.

Lease terminations, and/or the failure to find new tenants after a lease expires or has been terminated, could reduce our revenues from rents and our distributions to our stockholders and cause the value of our stockholders' investment in us to decline.

The success of our investments depends upon the occupancy levels, rental income and operating expenses of our properties. In the event of a tenant default or bankruptcy, we may experience delays in enforcing our rights as landlord and may incur costs in protecting our investment and re-leasing our property. For example, in 2023, the tenants of certain of our properties in Georgia had been out of compliance with their consolidated minimum EBITDAR covenant for each quarter in 2023, which has in turn contributed to our lender, with respect to such properties, declaring an event of default with respect to such properties in 2024. While we have subsequently transferred ownership the Georgia properties as discussed elsewhere in this Annual Report on Form 10-K, there can be no assurance that similar events will not impact other of our properties. Even if a lease is terminated or expires without a default or bankruptcy, we may incur costs in finding a new tenant. In the event of tenant default or bankruptcy, or lease terminations or expiration, we may be unable to re-lease the property for the rent previously received, or at all. We may be unable to sell a property without incurring a loss. These events and others could cause the value of our stockholders' investment in us to decline.

Acquisitions of properties that we execute, or seek to execute, may prove to be unsuccessful or may not produce the cash flow that we expect, which would negatively affect our financial results.

We intend to continue to acquire real estate properties. In deciding whether to acquire a particular property, we make assumptions regarding the expected future performance of that property. We are exposed to the risk that some of our acquisitions may not prove to be successful. We could encounter unanticipated difficulties and expenditures relating to any acquired properties, including contingent liabilities, and acquired properties might require significant management attention that would otherwise be devoted to our ongoing business. Such expenditures may negatively affect our results of operations. If our estimated return on investment proves to be inaccurate, it may fail to perform as we expected. Furthermore, there can be no assurance that our anticipated acquisitions and investments, the completion of which is subject to various conditions, will be consummated in accordance with anticipated timing, on anticipated terms, or at all.

We may have difficulty selling our real estate investments, and our ability to distribute all or a portion of the net proceeds from such sale to our stockholders may be limited.

Equity real estate investments are relatively illiquid. Therefore, we will have a limited ability to vary our portfolio in response to changes in economic or other conditions. We may also have a limited ability to sell assets in order to fund working capital and similar capital needs. When we sell any of our properties, we may not realize a gain on such sale. We may elect not to distribute any proceeds from the sale of properties to our stockholders; for example, we may use such proceeds to:

- purchase additional properties;
- repay debt, if any;
- buy out interests of any joint venturer or other partners in any joint venture in which we are a party;
- create working capital reserves; or
- make repairs, maintenance, tenant improvements or other capital improvements or expenditures to our remaining properties.

Our ability to sell our properties may also be limited by our need to avoid a 100% penalty tax that is imposed on gain recognized by a REIT from the sale of property characterized as dealer property. In order to ensure that we avoid such characterization, we may be required to hold our properties for a minimum period of time, generally two years, and comply with certain other requirements in the Internal Revenue Code.

Actions of our joint venture partners could subject us to liabilities in excess of those contemplated or prevent us from taking actions that are in the best interests of our stockholders which could result in lower investment returns to our stockholders.

We have and are likely to continue to enter into joint ventures with third parties to acquire or improve properties. We may also purchase properties in partnerships, co-tenancies or other co-ownership arrangements. Such investments may involve risks not otherwise present when acquiring real estate directly, including, for example:

- joint venturers may share certain approval rights over major decisions;
- that such joint venturer, co-owner or partner may at any time have economic or business interests or goals which are or which become inconsistent with our business interests or goals, including inconsistent goals relating to the sale of properties held in the joint venture or the timing of termination or liquidation of the joint venture;
- the possibility that our joint venturer, co-owner or partner in an investment might become insolvent or bankrupt;
- the possibility that we may incur liabilities as a result of an action taken by our joint venturer, co-owner or partner;
- that such joint venturer, co-owner or partner may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives, including our policy with respect to qualifying and maintaining our qualification as a REIT;
- disputes between us and our joint venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business and result in subjecting the properties owned by the applicable joint venture to additional risk; or
- that under certain joint venture arrangements, neither venture partner may have the power to control the venture, and an impasse could be reached which might have a negative influence on the joint venture.

These events might subject us to liabilities in excess of those contemplated and, thus, reduce our stockholders' investment returns. If we have a right of first refusal or buy/sell right to buy out a joint venturer, co-owner or partner, we may be unable to finance such a buy-out if it becomes exercisable or we may be required to purchase such interest at a time when it would not otherwise be in our best interest to do so. If our interest is subject to a buy/sell right, we may not have sufficient cash, available borrowing capacity or other capital resources to allow us to elect to purchase an interest of a joint venturer subject to the buy/sell right, in which case we may be forced to sell our interest as the result of the exercise of such right when we would otherwise prefer to keep our interest. Finally, we may not be able to sell our interest in a joint venture if we desire to exit the venture.

Our properties are concentrated in certain geographic areas and are leased to a limited number of tenants, which may leave us vulnerable to the economic conditions of such geographic regions and/or tenants.

As discussed above, in 2024, our portfolio of consolidated real estate properties decreased from eighteen properties to seven. While we believe these sales and transfers will materially benefit the overall financial health of the Company, it also comes with a greater concentration of risk in these remaining properties. Of these remaining properties, we own one property in California, three properties in Oregon, one property in Texas, one property in Illinois, and one property in Arizona (excluding the 17 properties held by our Equity-Method Investments). Accordingly, there is a geographic concentration of risk subject to economic conditions in certain states. Furthermore, we leased our five real estate properties to three different tenants under long-term triple net leases. For the year ended December 31, 2024, all three tenants each had rental revenue greater than 10% (50%, 31% and 19%). If the economic condition of the states in which our properties are located were to materially decline, or the financial status of any of our tenants were to deteriorate, our business could be materially impacted.

Risks Related to Investments in Healthcare-Related Real Estate

Healthcare policy changes, including national legislation to reform the U.S. healthcare system, may have a material adverse effect on our business.

There have been and continue to be proposals by the federal government, state governments, regulators and third-party payors to control healthcare costs and, more generally, to reform the U.S. healthcare system. Our results of operations may be adversely affected by current and potential future healthcare reforms as our tenants' operations could be affected impacting their ability to make lease payments to us or, in the case of our operated properties, negatively impacting resident fees and services revenues.

Federal and state legislatures, health agencies and third-party payors continue to focus on containing the cost of healthcare. Legislative and regulatory proposals and enactments to reform healthcare insurance programs could significantly impact our properties and the manner in which our tenants are paid.

There is also significant economic pressure on state budgets that may result in states increasingly seeking to achieve budget savings through mechanisms that limit coverage or payment for the services our tenants provide.

Adverse trends in the healthcare service industry may negatively affect lease revenues from healthcare properties that we may acquire and the values of those investments.

The healthcare service industry may be affected by the following:

- staffing shortages, minimum staffing level mandates, and continued reliance on higher-priced agency healthcare workers;
- increased costs and decreased occupancy due to potential future pandemics or contagious outbreaks;
- trends in the method of delivery of healthcare services, specifically expansion of home-based healthcare;
- increased acuity of care;
- competition among healthcare providers;
- nursing home reform mandates from state and federal governments without increases in reimbursement to fund the mandates;
- lower increases or decreases in reimbursement rates from government and commercial payors, high uncompensated care expense, investment losses and limited admissions growth pressuring operating profit margins for healthcare providers;
- liability and workers compensation insurance expense; and
- health reform initiatives to address healthcare costs through expanded pay-for-performance criteria, value-based purchasing programs, bundled provider payments, accountable care organizations, state health insurance exchanges, increased patient cost-sharing, geographic payment variations, comparative effectiveness research, and lower payments for hospital readmissions.

These changes, among others, can adversely affect the economic performance of some or all of the tenants and operators/managers of healthcare properties that we may acquire and, in turn, negatively affect the lease revenues, resident fees and services revenues, and the value of our property investments.

Tenants of our healthcare properties derive a substantial portion of their income from third-party payors.

SNF tenants derive a substantial portion of their net operating revenues from third-party payors, including the Medicare and Medicaid programs. These programs are highly regulated by federal, state and local laws, rules and regulations and are subject to substantial change. There are no assurances that payments from governmental and other third-party payors will remain at levels comparable to present levels or will, in the future, be sufficient to cover the costs allocable to patients utilizing reimbursement under these programs. Efforts by such third-party payors to reduce healthcare costs will likely continue, which may result in reductions or slower growth in reimbursement for certain services provided by some of our tenants. In addition, the failure of any of our tenants to comply with various laws and regulations could jeopardize their ability to continue participating in Medicare, Medicaid and other government-sponsored programs. The healthcare industry continues to face various challenges on healthcare providers to control or reduce costs. The financial impact on tenants of healthcare properties that we may acquire could limit their ability to make rent payments to us, which would have a material adverse effect on our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Under the current Patient-Driven Payment Model (PDPM), therapy minutes are removed as the basis for payment in favor of resident classifications and anticipated resource needs during the course of a patient’s stay. PDPM assigns every resident a case-mix classification that drives the daily reimbursement rate for that individual. We do not believe that PDPM has adversely affected our tenants; however, lower reimbursement rates may impair a tenant’s ability to meet its financial obligation to us.

Operators/managers of healthcare properties that we own or may acquire may be affected by the financial deterioration, insolvency and/or bankruptcy of other significant operators/managers in the healthcare industry.

Certain companies in the healthcare industry, including some key senior housing operators/managers, are experiencing considerable financial, legal and/or regulatory difficulties which have resulted or may result in financial deterioration and, in some cases, insolvency and/or bankruptcy. The adverse effects on these companies could have a significant impact on the industry as a whole, including but not limited to negative public perception by investors, lenders and consumers. As a result, lessees of healthcare facilities that we may acquire could experience the damaging financial effects of a weakened industry sector driven by negative headlines, ultimately making them unable to meet their obligations to us, and our business could be adversely affected.

Tenants of healthcare properties that we own or may acquire face certain operational risks that may impact their ability to generate revenues or that may increase their expenses, either of which might negatively affect our financial results.

Our tenants’ revenues are primarily driven by occupancy, private pay rates, and Medicare and Medicaid reimbursement, if applicable. Expenses for these facilities are primarily driven by the costs of labor, food, utilities, taxes, insurance and rent or debt service. Revenues from government reimbursement have, and may continue to, come under pressure due to reimbursement cuts and state budget shortfalls. Operating costs continue to increase for our tenants. To the extent that any decrease in revenues and/or any increase in operating expenses result in a property not generating enough cash to make payments to us, our revenues may be reduced and the credit of our tenant and the value of other collateral would have to be relied upon. To the extent the value of such property is reduced, we may need to record an impairment for such asset. Furthermore, if we determine to dispose of an underperforming property, such sale may result in a loss. Any such impairment or loss on sale would negatively affect our financial results.

Future economic weakness may have an adverse effect on our tenants and our operated properties, including their ability to access credit or maintain occupancy and/or private pay rates. If the operations, cash flows or financial condition of our tenants are materially adversely impacted by economic or other conditions, our revenue and operations may be adversely affected. Increased competition may affect our tenants’ ability to meet their obligations to us. The tenants of our properties compete on a local and regional basis with tenants and licensed operators of properties and other healthcare providers that provide comparable services. We cannot be certain that the tenants of all of our facilities will be able to achieve and maintain occupancy and rate levels that will enable them to meet all of their obligations to us. Our tenants are expected to encounter increased competition in the future that could limit their ability to attract residents or expand their businesses.

Potential litigation and rising insurance costs may affect our tenants ability to obtain and maintain adequate liability and other insurance and their ability to make lease payments and fulfill their insurance and indemnification obligations to us.

Our tenants and the Company may be subject to lawsuits filed by advocacy groups that monitor the quality of care at healthcare facilities or by patients, facility residents or their families. Significant damage awards are possible in cases where neglect has been found. This litigation has increased our tenants costs of monitoring and reporting quality of care and has resulted in increases in the cost of liability and medical malpractice insurance. These increased costs may materially adversely affect our tenants ability to obtain and maintain adequate liability and other insurance; manage related risk exposures; fulfill their insurance, indemnification and other obligations to us under their leases or property management agreements, as applicable; or make lease payments to us, as applicable. In addition, from time to time, we may be subject to claims brought against us in lawsuits and other legal proceedings arising out of our alleged actions or the alleged actions of our tenants and operators for which such tenants or operators may have agreed to indemnify, defend and hold us harmless. An unfavorable resolution of any such pending or future litigation could materially adversely affect our liquidity, financial condition and results of operations and have a material adverse effect on us in the event that we are not ultimately indemnified by our tenants.

COVID-19 or another pandemic, epidemic or outbreak of a contagious disease could affect the markets in which our tenants operate or otherwise impact our facilities.

If a pandemic or other public health crisis were to affect our markets, or our tenants specifically, such as the major breakout of the coronavirus (COVID-19) in the United States or specifically in the locations where our tenants operate, the businesses of our tenants could be adversely affected. There have been numerous examples of outbreaks at similar senior housing health care facilities. Such incidents have diminished the public trust in healthcare facilities, especially facilities that fail to accurately or timely diagnose, or other facilities such as those where our tenants that are treating, have treated or otherwise have residents affected by these contagious diseases. If there is an outbreak at any of our facilities, residents or prospective residents might decline to use such facilities. Any of our tenants' infectious disease plans or polices may not prevent the spread of these diseases to their residents, many of which are already elderly or otherwise medically compromised. Further, a pandemic might adversely impact our tenants' businesses by causing a temporary shutdown of one or more facilities or diversion of residents, by disrupting or delaying production and delivery of materials and products in the supply chain or by causing staffing shortages in one or more facilities. The potential impact of a pandemic, epidemic or outbreak of a contagious disease, including COVID–19, with respect to our tenants or our facilities is difficult to predict and could have a material adverse impact on the operations of our tenants and, in turn, our revenues, business and results of operations and the value of our stock.

Our properties expose us to various operational risks, liabilities and claims that could adversely affect our ability to generate revenues or increase our costs and could have a material adverse effect on us.

From time to time, circumstances may require one or more of our subsidiaries to hire a third-party manager to operate and/or become the licensed operator of a senior housing facility, rather than entering into a triple net lease with an independent tenant, although that is not our objective. Hiring a third-party manager to operate or becoming the licensed operator of a facility exposes us to additional operational risks, liabilities and claims that could increase our costs or adversely affect our ability to generate revenues, thereby reducing our profitability. These operational risks include fluctuations in occupancy levels, the inability to achieve economic resident fees (including anticipated increases in those fees), increased cost of compliance, increases in the cost of food, materials, energy, labor (as a result of unionization or otherwise) or other services, national and regional economic conditions, the imposition of new or increased taxes, capital expenditure requirements, professional and general liability claims, and the availability and cost of professional and general liability insurance. Any one or a combination of these factors could result in operating deficiencies in our operations and decreases in cash flow, which could have a material adverse effect on us.

Transfers of healthcare facilities may require regulatory approvals and these facilities may not have efficient alternative uses.

Transfers of healthcare facilities to successor tenants frequently are subject to regulatory approvals or notifications, including, but not limited to, change of ownership approvals under a certificate of needs ("CON") or determination of need laws, state licensure laws and Medicare and Medicaid provider arrangements, that are not required for transfers of other types of real estate. The replacement of a healthcare facility tenant could be delayed by the approval process of any federal, state or local agency necessary for the transfer of the facility or the replacement of the operator licensed to manage the facility. Alternatively, given the specialized nature of our facilities, we may be required to spend substantial time and funds to adapt these properties to other uses. If we are unable to timely transfer properties to successor tenants or find efficient alternative uses, our revenue and operations may be adversely affected.

Risks Associated with Financing

We expect to continue to use short term acquisition financing to acquire properties and otherwise incur other indebtedness, including long-term financing, which will increase our expenses and could subject us to the risk of losing properties in foreclosure if our cash flow is insufficient to make loan payments.

We have used short term acquisition financing to acquire our healthcare properties. We have also used long-term debt financing to increase the amount of capital available to us and to achieve greater property diversification. We may also acquire properties encumbered with existing financing which cannot be immediately repaid. We may also invest in joint venture entities that borrow funds or issue senior equity securities to acquire properties, in which case our equity interest in the joint venture would be junior to the rights of the lender or preferred stockholders. Our charter limits our borrowings to 300% of our net asset value, as defined in our charter, unless any excess borrowing is approved by a majority of our independent directors and is disclosed to our stockholders in our next quarterly report with an explanation from our independent directors of the justification for the excess borrowing. We may borrow funds for operations, tenant improvements, capital improvements or other working capital needs. We may also borrow funds to make distributions, including but not limited to funds to satisfy the REIT tax qualification requirement that we distribute at least 90% of our annual REIT taxable income to our stockholders. We may also borrow, if we otherwise deem it necessary or advisable, to ensure that we maintain our qualification as a REIT for federal income tax purposes. To the extent we borrow funds, we may raise additional equity capital or sell properties to pay such debt.

If there is a shortfall between the cash flow from a property and the cash flow needed to service acquisition financing on that property, then the amount available for operations or distributions to stockholders may be reduced. In addition, incurring mortgage debt increases the risk of loss since defaults on indebtedness collateralized by a property may result in lenders initiating foreclosure actions. In that case, we could lose the property securing the loan that is in default. For example, on March 13, 2024, we received a notice of default from one of our lenders due to our continuing failure to pay the full and timely interest payments due on the loan from December 2023 to March 2024. As a result of the default, the lender exercised certain rights, such as, among other things, their right to act as attorney-in-fact of Summit Georgia Holdings, LLC, to appoint an independent manager over the GA8 Properties and their right to exercise any voting rights and to receive any distributions with respect to such properties. On December 20, 2024, we transferred ownership of the GA8 Properties. See Note 14 to the accompanying Notes to Consolidated Financial Statements for further information.

For tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but we would not receive any cash proceeds. We may give full or partial guarantees to lenders of mortgage debt to the entities that own our properties. When we give a guaranty on behalf of an entity that owns one of our properties, we will be responsible to the lender for satisfaction of the debt if it is not paid by such entity. Some of our mortgages contain cross-collateralization or cross-default provisions, a default on a single property could affect multiple properties.

Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to make distributions to our stockholders.

When providing financing, a lender may impose restrictions on us that affect our distribution and operating policies and our ability to incur additional debt. Loan documents we have entered into contain covenants that limit our ability to further mortgage the property or discontinue insurance coverage. These or other limitations may limit our flexibility and prevent us from achieving our operating plans.

High levels of debt or increases in interest rates could increase the amount of our loan payments, reduce the cash available for distribution to stockholders and subject us to the risk of losing properties in foreclosure if our cash flow is insufficient to make loan payments.

Our policies do not limit us from incurring debt. High debt levels would cause us to incur higher interest charges, would result in higher debt service payments, and could be accompanied by restrictive covenants. Interest we pay could reduce cash available for distribution to stockholders. Additionally, variable rate debt could result in increases in interest rates which would increase our interest costs, which would reduce our cash flows and our ability to make distributions to our stockholders. In addition, if we need to repay existing debt during periods of rising interest rates, we could be required to liquidate one or more of our investments in properties at times which may not permit realization of the maximum return on such investments and could result in a loss.

Federal Income Tax Risks

Failure to qualify as a REIT would subject us to federal income tax, which would reduce the cash available for distribution to our stockholders.

We expect to operate in a manner that will allow us to continue to qualify as a REIT for federal income tax purposes. However, the federal income tax laws governing REITs are extremely complex, and interpretations of the federal income tax laws governing qualification as a REIT are limited. Qualifying as a REIT requires us to meet various tests regarding the nature of our assets and our income, the ownership of our outstanding stock, and the amount of our distributions on an ongoing basis. While we intend to operate so that we will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, including the tax treatment of certain investments we may make, and the possibility of future changes in our circumstances, no assurance can be given that we will so qualify for any particular year. If we fail to qualify as a REIT in any calendar year and we do not qualify for certain statutory relief provisions, we would be required to pay federal income tax on our taxable income. We might need to borrow money or sell assets to pay that tax even if the market conditions at that time are not favorable for these borrowings or sales. Our payment of income tax would decrease the amount of our income available for distribution to our stockholders. Furthermore, if we fail to maintain our qualification as a REIT and we do not qualify for certain statutory relief provisions, we no longer would be required to distribute substantially all of our REIT taxable income to our stockholders. Unless our failure to qualify as a REIT was excused under federal tax laws, we would be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost.

Even if we qualify as a REIT for federal income tax purposes, we may be subject to other tax liabilities that reduce our cash flow and our ability to make distributions to our stockholders.

Even if we qualify as a REIT for federal income tax purposes, we may be subject to some federal, state and local taxes on our income or property. For example:

- In order to qualify as a REIT, we must distribute annually at least 90% of our REIT taxable income to our stockholders (which is determined without regard to the dividends-paid deduction or net capital gain). To the extent that we satisfy the distribution requirement but distribute less than 100% of our REIT taxable income, we will be subject to federal corporate income tax on the undistributed income.
- We will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions we pay in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years.
- If we elect to treat property that we acquire in connection with a foreclosure of a mortgage loan or certain leasehold terminations as “foreclosure property,” we may avoid the 100% tax on gain from a resale of that property, but the income from the sale or operation of that property may be subject to corporate income tax at the highest applicable rate.
- If we sell an asset, other than foreclosure property, that we hold primarily for sale to customers in the ordinary course of business, our gain would be subject to the 100% “prohibited transaction” tax unless such sale were made by one of our taxable REIT subsidiaries.
- We may be subject to an excise tax under IRC section 857(b)(7) if the IRS reallocates certain specified income and expense items between the REIT and the TRS under principles similar to IRC section 482. The excise tax is equal to 100% of redetermined rents, redetermined deductions, excess interest, and redetermined TRS service income.

We intend to make distributions to our stockholders to comply with the REIT requirements of the Internal Revenue Code.

We may be subject to adverse legislative or regulatory tax changes.

At any time, the federal income tax laws or regulations governing REITs or the administrative interpretations of those laws or regulations may be amended. We cannot predict when or if any new federal income tax law, regulation or administrative interpretation, or any amendment to any existing federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in, or any new, federal income tax law, regulation or administrative interpretation.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 1C. CYBERSECURITY

Risk management and strategy

We have established policies and processes for assessing, identifying, and managing material risk from cybersecurity threats, and have integrated these processes into our overall risk management systems and processes. We routinely assess material risks from cybersecurity threats, including any potential unauthorized occurrence on or conducted through our information systems that may result in adverse effects on the confidentiality, integrity, or availability of our information systems or any information residing therein.

We conduct periodic risk assessments to identify cybersecurity threats, as well as assessments in the event of a material change in our business practices that may affect information systems that are vulnerable to such cybersecurity threats. These risk assessments include identification of reasonably foreseeable internal and external risks, the likelihood and potential damage that could result from such risks, and the sufficiency of existing policies, procedures, systems, and safeguards in place to manage such risks.

Following these risk assessments, we re-design, implement, and maintain reasonable safeguards to minimize identified risks; reasonably address any identified gaps in existing safeguards; and regularly monitor the effectiveness of our safeguards. Primary responsibility for assessing, monitoring and managing our cybersecurity risks rests with an IT consultant who reports to our Chief Financial Officer, to manage the risk assessment and mitigation process.

As part of our overall risk management system, we monitor and test our safeguards and train our employees on these safeguards, in collaboration with IT and management. Personnel at all levels and departments are made aware of our cybersecurity policies through trainings.

We engage consultants, or other third parties in connection with our risk assessment processes. These service providers assist us to design and implement our cybersecurity policies and procedures, as well as to monitor and test our safeguards. We require each third-party service provider to certify that it has the ability to implement and maintain appropriate security measures, consistent with all applicable laws, to implement and maintain reasonable security measures in connection with their work with us, and to promptly report any suspected breach of its security measures that may affect our company.

We have not encountered cybersecurity challenges that have materially impaired our operations or financial standing. For additional information regarding risks from cybersecurity threats, please refer to Item 1A, “Risk Factors,” in this annual report on Form 10-K.

Governance

One of the key functions of our board of directors is informed oversight of our risk management process, including risks from cybersecurity threats. Our board of directors is responsible for monitoring and assessing strategic risk exposure, and our executive officers are responsible for the day-to-day management of the material risks we face. Our board of directors administers its cybersecurity risk oversight function directly as a whole, as well as through the audit committee.

Our Chief Financial Officer is primarily responsible to assess and manage our material risks from cybersecurity threats with assistance from third-party service providers.

Our Chief Financial Officer oversees our cybersecurity policies and processes, including those described in “Risk Management and Strategy” above. The cybersecurity risk management program includes tools and activities to prevent, detect, and analyze current and emerging cybersecurity threats, and plans and strategies to address threats and incidents.

Our Chief Financial Officer and IT consultant provide periodic briefings to the audit committee regarding our Company’s cybersecurity risks and activities, including any recent cybersecurity incidents and related responses, cybersecurity systems testing, activities of third parties, and the like. Our Audit Committee provides regular updates to the Board of Directors on such reports.

ITEM 2. PROPERTIES

As of December 31, 2024, our portfolio consisted of seven properties, three of which we own 100%, and four of which we own through a 95.3% interest in CHP LLC. Five of the properties are 100% leased, on a triple net basis, to the tenants of the related facilities and the other two properties, Sundial Assisted Living and Pennington Gardens (the "Operated Properties"), are each 100% leased to an affiliated subsidiary. The following table (excluding the 17 properties held by our unconsolidated Equity-Method Investments) provides summary information regarding these properties:

Property	Location	Date Purchased	Type[(1)]	Purchase Price[(2)]	Number of Beds
Sheridan Care Center	Sheridan, OR	August 3, 2012	SNF	$ 4,100,000	51
Fernhill Care Center	Portland, OR	August 3, 2012	SNF	4,500,000	63
Friendship Haven Healthcare and Rehabilitation Center	Galveston County, TX	September 14, 2012	SNF	15,000,000	150
Pacific Health and Rehabilitation Center	Tigard, OR	December 24, 2012	SNF	8,140,000	73
Brookstone of Aledo	Aledo, IL	July 2, 2013	AL	8,625,000	66
Sundial Assisted Living	Redding, CA	December 18, 2013	AL	3,500,000	65
Pennington Gardens	Chandler, AZ	July 17, 2017	AL/MC	13,400,000	90
Total:				$ 57,265,000	558

(1) SNF is an abbreviation for skilled nursing facility.
AL is an abbreviation for assisted living facility.
MC is an abbreviation for memory care facility.
(2) Excludes acquisition costs.

Disposal of Georgia Properties

In 2021, through our wholly-owned subsidiary and the parent holding company for the GA8 Properties, Summit Georgia Holdings LLC ("GA Holdco"), we acquired eight skilled nursing facilities located in Georgia (collectively, the "GA8 Properties"). In March 2024, we derecognized the eight properties and in December 2024, transferred ownership and were released from all debt and guarantee obligations. See Notes 4 and 14 to the accompanying Notes to Consolidated Financial Statements for further information.

Sale of California Properties

In 2021, we acquired three properties located in California ("CA3 Properties") and we entered into a first priority $15.0 million mortgage loan collateralized by the CA3 Properties with CIBC Bank, USA ("CIBC"). On September 6, 2024, we completed the sale of the CA3 Properties. See Note 3 to the accompanying Notes to Consolidated Financial Statements for further information

Portfolio Lease Expirations

The following table sets forth lease expiration information for the ten years and thereafter following December 31, 2024. We expect that, prior to maturity, we will negotiate new terms of a lease to either the current tenant or another qualified operator.

Year Ending December 31	No. of Leases Expiring	Base Rent In Final Year of Expiring Leases (Annual $)	Percent of Total Leasable Area Expiring (%)	Percent of Total Annual Base Rent Expiring (%)
2027	1 (1)	1,538,000 (1)	35.9 %	30.9 %
2030	1	913,000	31.1 %	18.4 %
2033	3	2,522,000	33.0 %	50.7 %
	5	$ 4,973,000	100.0 %	100.0 %

(1) Excludes the intercompany leases for the Operated Properties and related rental revenue. These intercompany leases are eliminated in consolidation. Resident agreements for the Operated Properties are short-term and excluded from the table above and revenue is included in resident fees and services in the accompanying statements of operations.

ITEM 3. LEGAL PROCEEDINGS

See Note 11 to the accompanying Notes to Consolidated Financial Statements for a summary of our material legal proceedings.

In addition, we are or may be subject to various other legal proceedings and actions arising in the normal course of our business. In the opinion of management, based upon the information presently known, the ultimate liability, if any, arising from such pending legal proceedings, as well as from asserted legal claims and known potential legal claims which are likely to be asserted, taking into account established accruals for estimated liabilities (if any), are not expected to be material individually and in the aggregate to our consolidated financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

During the period covered by this report, there was no established public trading market for our shares of common stock.

On December 31, 2024, the estimated common stock per-share value is $2.19 per share, adjusted from the previous estimated common stock per-share value of $1.71 established on December 31, 2023. The estimated value per share was based on the methodologies and assumptions described further below. The estimated per-share value determined below is not audited and does not represent the fair value according to U.S. generally accepted accounting principles ("GAAP") of our assets less liabilities, nor does it represent the amount our shares would trade at on a national securities exchange or the amount a stockholder would obtain if he or she tried to sell his or her shares or if we liquidated our assets.

As with any valuation methodology, our methodology is based on a number of estimates and assumptions that may not be accurate or complete. Different parties with different assumptions and estimates could derive a different estimated per-share amount, and these differences could be significant. Accordingly, with respect to our estimated per-share value, we can provide no assurance that:

- a stockholder would be able to realize our estimated value per share upon attempting to resell his or her shares;
- we would be able to achieve, for our stockholders, our estimated value per share, upon a listing of our shares of common stock on a national securities exchange, selling our real estate portfolio, or merging with another company;
- an independent third-party appraiser or other third-party valuation firm would agree with our estimated value per share; or
- the estimated share value, or the methodologies relied upon to estimate the share value, will be found by any regulatory authority to comply with FINRA, ERISA, or any other regulatory requirements.

Our December 31, 2024 estimated per-share value was calculated by aggregating the estimated fair value of our investments in real estate and the estimated fair value of our other assets, subtracting the current book value of our liabilities, and dividing the total by the number of our common shares outstanding as of December 31, 2024. Our estimated per-share value is the same as our net asset value. Our estimated per-share value does not reflect "enterprise value," which may include a premium for the portfolio or the potential increase in our share value if we were to list our shares on a national securities exchange. Our estimated per-share value also does not reflect a liquidity discount for the fact that the shares are not currently traded on a national securities exchange.

The following is a summary of the valuation methodologies used:

Investments in Real Estate. For purposes of calculating an estimated value per share, we used the value of the 2024 lease payments and applied the current market lease rates for each asset type to determine fair market value of our properties or for recently purchased properties, the current appraised values.

Loans Payable. We reduced the fair value of our investments by the total amount due of our loans payable based on the current book value at December 31, 2024.

Other Assets and Liabilities. The carrying values of our other assets and liabilities are considered to be equal to fair value due to their short maturities. Certain balances, including straight-line rent related assets and liabilities, have been eliminated for the purpose of the valuation due to the fact that the value of those balances have no value or decrement to the assets going forward.

Equity-Method Investments. We estimate the value of our interests in our equity-method investments based on the discounted cash flows and then applying our ownership percentage in the individual equity-method investments after a sale to determine the amount of equity attributable to the Company.

Our estimated per-share value was calculated as follows:

		December 31, 2024
Investments in real estate	$	2.93
Loans payable		(1.81)
Other assets and liabilities, net		1.02
Equity-Method Investments		0.05
Estimated net asset value per-share	$	2.19
Estimated enterprise value premium		None applied
Estimated liquidity discount		None applied
Total estimated per-share value	$	2.19

The value of our shares will fluctuate over time in response to, among other things, changes in real estate market fundamentals, capital markets activities, and attributes specific to the properties within our portfolio. We generally update the estimated value per share at the end of each fiscal year, but we are not required to do so. We expect that any future estimates of the value of our properties will be performed by the Company; however, our board of directors may direct us to engage one or more independent, third-party valuation firms in connection with such estimates.

Our board of directors reviewed the report prepared by management which recommended an estimated per-share value, and considering all information provided in light of its own knowledge regarding our assets and unanimously agreed upon an estimated value of $2.19 per share, which is consistent with the recommendations of management.

A summary of our estimated per-share value for the last five years at December 31 is as follows:

2024	$	2.19
2023	$	1.71
2022	$	2.73
2021	$	2.94
2020	$	2.90

Stockholders

As of March 14, 2025, we had approximately 23.0 million shares of common stock outstanding held by 4,097 stockholders of record.

Dividends

Our directors will determine the amount and timing of distributions. Our directors will consider all relevant factors, including the amount of cash available for distribution, capital expenditure, reserve requirements, general operational requirements, and the analysis of investing excess cash flow to grow the portfolio versus paying distributions to shareholders. We have not declared cash distributions per common share during the years ended December 31, 2024 and 2023.

Recent Sales of Unregistered Securities

We did not sell any equity securities that were not registered under the Securities Act of 1933 during the period covered by this Form 10-K.

Equity Compensation Plans

See the “Equity Compensation Plan Information” in Item 12 of this report.

Purchases of Company Equity Securities

The Company has not engaged in any repurchases of its equity securities during the year ended December 31, 2024 and does not currently have any repurchase or redemption plan or program in place.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Form 10-K. See also the "Special Note about Forward-Looking Statements" preceding Item 1 of this report.

Overview

As of December 31, 2024, our ownership interests in our seven real estate properties of senior housing facilities was as follows: 100% ownership of three properties and a 95.3% interest in four properties in a consolidated joint venture, Cornerstone Healthcare Partners LLC. In September 2024, we sold three properties and in December 2024, we transferred ownership of eight properties. We also have three unconsolidated equity-method investments (collectively, our "Equity-Method Investments") with interests ranging from 10% - 20% that hold an aggregate of 17 properties. As used in this report, the "Company," "we," "us" and "our" refer to Summit Healthcare REIT, Inc. and its consolidated subsidiaries, except where the context otherwise requires.

Our revenues are comprised largely of tenant rental income from our five real estate properties, including rents reported on a straight-line basis over the initial term of each tenant lease, resident fees and services from our two operated properties, and asset management fees resulting from our Equity-Method Investments. We also receive cash distributions from our Equity-Method Investments, which are included in net cash provided by operating activities and net cash provided by investing activities in our consolidated statements of cash flows. Our growth depends, in part, on our ability to continue to raise joint venture or other equity, acquire new healthcare properties at attractive prices, negotiate long-term tenant leases with sustainable rental rate escalation terms and control our expenses. Our operations are impacted by property-specific, market-specific, general economic, regulatory and other conditions.

We believe that continued investing in senior housing facilities is accretive to earnings and stockholder value. Senior housing facilities include independent living facilities ("IL"), skilled nursing facilities ("SNF"), assisted living facilities ("AL"), memory care facilities ("MC") and continuing care retirement communities ("CCRC"). Each of these types of facilities focuses on different segments of the senior population.

Current Market and Economic Conditions

As of early February 2025, the U.S. economy is experiencing significant turbulence due to recent policy shifts. On February 1, President Donald Trump announced substantial tariffs on imports from Canada, Mexico, and China, citing concerns over fentanyl trafficking, undocumented migration, and the U.S. trade deficit. These tariffs, ranging from 10% to 25%, are anticipated to escalate trade tensions and potentially ignite a trade war. Economists warn that these measures could lead to increased inflation and reduced economic output, particularly affecting industries reliant on these trading partners. In the real estate sector, rising costs of imported construction materials—such as steel, lumber, and aluminum—could push up development expenses for new housing, including senior living communities. Higher inflation may also prompt the Federal Reserve to maintain elevated interest rates for longer, further tightening access to capital for real estate investors and developers.

In response to these developments, financial markets have exhibited heightened volatility. The imposition of tariffs has also led to a strengthening U.S. dollar, reaching a 22-year high against the Canadian dollar, while safe-haven assets like gold are poised to hit new highs. For the senior housing and care sector, these economic pressures could create challenges in both financing and operations. Higher borrowing costs could slow new developments and acquisitions, while staffing shortages—already a major concern—may be exacerbated by potential restrictions on immigrant labor. At the same time, rising inflation could increase operational costs for skilled nursing and assisted living facilities, particularly in areas such as food services, utilities, and wages. However, demand for senior housing remains strong, driven by demographic trends, which may help stabilize the sector despite economic headwinds.

Recent Developments

In response to the decline in value of senior housing facilities, as well as various other market conditions impacting the performance of our asset portfolio, we have spent the last several years evaluating the value proposition of each of our asset holdings and assessing how to best maximize their value for the benefit of our stockholders. In several cases, this has meant seeking the sale of our properties and concentrating our efforts towards the properties showing the most economic stability and potential for growth.

As of December 31, 2023, our ownership interests in our 18 real estate properties of senior housing facilities was as follows: 100% ownership of 14 properties and 95.3% ownership interest in four properties held in a consolidated joint venture, Cornerstone Healthcare Partners LLC. In March 2024, we derecognized the eight skilled nursing facilities located in Georgia (collectively, the "GA8 Properties") in connection with certain loan defaults and in December 2024, entered into a Membership Interest Assignment and Release of Guaranty Agreements (the "Release Agreements") with Oxford, the holder of the second and mezzanine loans, and CIBC, the senior lender for the first priority loan. As a result of the execution of the Release Agreements, Summit transferred all of the outstanding membership interests in the GA Holdco and GA8 Properties to an unaffiliated transferee and obtained the release of all guaranties from all three loans with no further obligations. Summit also concurrently resigned as Manager of GA Holdco.

In September 2024, we sold three properties located in California (collectively, the "CA3) and recorded a $11.2 million gain on sale.

With respect to our equity-method investments, in May 2024, the Fantasia III JV sold their eight properties for approximately $60.0 million. We received approximately $2.1 million in cash from the sale resulting in the winding-up of our equity-method investment and as such, as of May 2, 2024, we no longer have an equity-method interest in the Fantasia III JV. Additionally, during the year ended December 31, 2024, the SUL JV sold six properties within the SUL JV and we received an aggregate of approximately $2.9 million in cash.

Summit Portfolio Properties

At December 31, 2024, five of our seven properties are 100% leased to the tenants of the related facilities. The other two properties are each 100% leased to an affiliated subsidiary (Pennington Gardens Operations LLC ("Pennington Gardens") and Sundial Operations LLC ("Sundial"), collectively, the "Operated Properties") which are operated directly and earn resident fees and service revenue.

The following table provides summary information (excluding the 17 properties held by our unconsolidated Equity-Method Investments) regarding these properties as of December 31, 2024:

	Properties	Beds	Square Footage	Purchase Price
SNF	4	337	109,306	$ 31,740,000
AL or AL/MC	3	221	136,765	25,525,000
Total Real Estate Properties	7	558	246,071	$ 57,265,000

Property	Location	Date Purchased	Type	Beds	2024 Lease Revenue (1)
Sheridan Care Center	Sheridan, OR	August 3, 2012	SNF	51	$ 567,000
Fernhill Care Center	Portland, OR	August 3, 2012	SNF	63	605,000
Friendship Haven Healthcare and Rehabilitation Center	Galveston County TX	September 14, 2012	SNF	150	1,412,000
Pacific Health and Rehabilitation Center	Tigard, OR	December 24, 2012	SNF	73	1,109,000
Brookstone of Aledo	Aledo, IL	July 2, 2013	AL	66	765,000
Sundial Assisted Living (2)	Redding, CA	December 18, 2013	AL	65	—
Pennington Gardens (2)	Chandler, AZ	July 17, 2017	AL/MC	90	—
Total				558	

(1) Represents lease revenue for the year ended December 31, 2024, based on in-place leases, including straight-line rent and excluding $1.1 million in tenant reimbursement revenue and $0.04 million in above-market lease amortization.
(2) Lease revenue due under the Operated Properties intercompany leases are eliminated in consolidation and revenue is reflected in resident fees and services in the accompanying consolidated statements of operations for these Operated Properties.

Summit Equity-Method Investment Portfolio Properties

We continue to believe that utilizing institutional capital to make acquisitions will be accretive to shareholder value. Our primary source of capital since 2015 has been institutional funds raised through a joint venture structure and accounted for as equity-method investments. We still believe this is a prudent strategy for growth; however, in the future, we may raise additional capital through alternative methods if warranted by market conditions or other factors.

Summit Union Life Holdings, LLC

In April 2015, through our operating partnership ("Operating Partnership"), we formed Summit Union Life Holdings, LLC ("SUL JV") with Best Years, LLC ("Best Years"), an unrelated entity and a U.S.-based affiliate of Union Life Insurance Co, Ltd. (a Chinese corporation), and entered into a limited liability company with Best Years with respect to the SUL JV (the "SUL LLC Agreement"). The SUL JV is not consolidated in our consolidated financial statements and is accounted for under the equity-method in our consolidated financial statements. During 2024, the SUL JV sold six properties and we recorded our 10% of the aggregate gain of approximately $2.0 million and received an aggregate amount of approximately $2.9 million in cash. As of December 31, 2024 and 2023, the balance of our equity-method investment related to the SUL JV was approximately $0.7 million and $1.8 million, respectively.

Equity-Method Partner - Fantasia Investment III LLC

In 2016 and 2017, through our Operating Partnership, we entered into three separate limited liability company agreements (collectively, the "Fantasia Agreements") with Fantasia Investment III LLC ("Fantasia"), an unrelated entity and a U.S.-based affiliate of Fantasia Holdings Group Co., Limited (a Chinese corporation listed on the Stock Exchange of Hong Kong (HKEX)), and formed three separate companies, Summit Fantasia Holdings, LLC ("Fantasia I JV"), Summit Fantasia Holdings II, LLC ("Fantasia II JV") and Summit Fantasia Holdings III, LLC ("Fantasia III JV") (collectively, the "Fantasia JVs").

On July 3, 2023, the majority member in the Fantasia I JV assigned its 65% interest, for no consideration, to Summit. As such, as of July 2023, Summit owned 100% of Fantasia I JV and we no longer had any equity-method interest in the Fantasia I JV. In 2023, the tenants of the two properties in the Fantasia II JV filed for a receivership with the state of Rhode Island and in September 2023, due to the ongoing receivership issues, we determined the fair value of our equity-method investment in the Fantasia II JV to be impaired and wrote off our equity-method balance. However, due to a change in our intention to fund a capital call, if needed, we have recorded additional losses in 2024 and 2023. As of December 31, 2024 and 2023, the balance of our equity-method investment related to the Fantasia II JV was approximately ($0.2) million and ($0.1) million, respectively.

In May 2024, the Fantasia III JV sold their eight properties for approximately $60.0 million. We received approximately $2.1 million in cash from the sale resulting in the winding-up of our equity-method investment and as such, as of May 2, 2024, we no longer have an equity-method interest in the Fantasia III JV.

Summit Fantasy Pearl Holdings, LLC

In October 2017, through our Operating Partnership, we entered into a limited liability company agreement (the "FPH LLC Agreement") with Fantasia, Atlantis Senior Living 9, LLC, a Delaware limited liability company ("Atlantis"), and Fantasy Pearl LLC, a Delaware limited liability company ("Fantasy"), and formed Summit Fantasy Pearl Holdings, LLC (the "FPH JV"). The FPH JV is not consolidated in our consolidated financial statements and is accounted for under the equity-method in our consolidated financial statements. As of December 31, 2024 and 2023, the balance of our equity-method investment related to the FPH JV was ($0.1) million and $0.

Distributions from Equity-Method Investments

For the years ended December 31, 2024 and 2023, we recorded distributions and cash received for distributions from our Equity-Method Investments as follows:

	Years Ended December 31,	
	2024	2023
Distributions	$ 5,320,000	$ 1,946,000
Cash received for distributions	$ 5,677,000	$ 1,854,000

Results of Operations

Our results of operations are described below:

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

	December 31, 2024	December 31, 2023	$ Change
Total rental revenues (excludes security deposits below)	$ 8,986,000	$ 17,652,000	$ (8,666,000)
Property operating costs	(1,498,000)	(3,773,000)	2,275,000
Resident fees and services income	7,102,000	6,823,000	279,000
Resident costs	(6,008,000)	(5,772,000)	(236,000)
Net operating income (1)	8,582,000	14,930,000	(6,348,000)
Asset management fees	266,000	554,000	(288,000)
Security deposits from terminated leases	—	420,000	(420,000)
General and administrative	(4,621,000)	(5,171,000)	550,000
Depreciation and amortization	(2,716,000)	(7,318,000)	4,602,000
Income (loss) from equity-method investees	2,887,000	(754,000)	3,641,000
Impairment of real estate properties and intangible assets	—	(11,387,000)	11,387,000
Gain on consolidation of interest in unconsolidated equity-method investment	—	1,066,000	(1,066,000)
Gain on derecognition and disposal of assets associated with GA8 Properties	30,681,000	—	30,681,000
Gain on sale of real estate properties	11,151,000	—	11,151,000
Other income	523,000	399,000	124,000
Interest expense	(19,545,000)	(17,521,000)	(2,024,000)
Net income (loss)	27,208,000	(24,782,000)	51,990,000
Noncontrolling interests' share in (income) loss	(102,000)	(19,000)	(83,000)
Net income (loss) applicable to common stockholders	$ 27,106,000	$ (24,801,000)	51,907,000

(1) Net operating income ("NOI") is a non-GAAP supplemental measure used to evaluate the operating performance of real estate properties. We define NOI as total rental revenues, resident fees and service income less property operating costs and resident costs. NOI excludes asset management fees, security deposits from terminated leases, general and administrative expense, depreciation and amortization, income (loss) from equity-method investees, impairment of real estate properties, other income, and interest expense. We believe NOI provides investors relevant and useful information because it measures the operating performance of the REIT's real estate at the property level on an unleveraged basis. We use NOI to assist in making decisions about resource allocations and to assess and compare property-level performance. We believe that net income (loss) is the most directly comparable GAAP measure to NOI. NOI should not be viewed as an alternative measure of operating performance to net income (loss) as defined by GAAP since it does not reflect the aforementioned excluded items. Additionally, NOI as we define it may not be comparable to NOI as defined by other REITs or companies, as they may use different methodologies for calculating NOI.

Total rental revenues for our properties includes rental revenues and tenant reimbursements for property taxes and insurance. Resident fees and services income are generated from the Operated Properties. Property operating costs include insurance, property taxes and other operating expenses, and resident costs are related to the Operated Properties. Net operating income decreased approximately $6.3 million for the year ended December 31, 2024 compared to the year ended December 31, 2023 primarily due the derecognition of the GA8 Properties in March 2024 and sale of the CA3 Properties in September 2024, which resulted in a decrease in total rental revenues of $9.1 million and property operating costs of approximately $2.2 million, offset by an increase of $0.7 million due to the changes in certain leases for our JV Properties in September 2023.

Asset management fees decreased approximately $0.3 million for the year ended December 31, 2024 compared to the year ended December 31, 2023 due primarily to the sale of the Fantasia III JV in 2024 ($0.1 million) and also a reduction in the asset management fees from the SUL JV due to the sales of six properties in 2024 and two in December 2023 ($154,000) (see Note 5 to the accompanying Notes to Consolidated Financial Statements).

The net decrease of approximately $0.6 million in general and administrative expense is primarily due to an decrease in payroll related expense of approximately $0.2 million, and a decrease in legal fees of $0.4 million.

The decrease in depreciation and amortization of $4.6 million for the year ended December 31, 2024 compared to the year ended December 31, 2023 is primarily due to the derecognition of the GA8 Properties in March 2024 and no longer recording depreciation and amortization expense and the sale of the CA3 properties in September 2024.

The change from loss to income from equity-method investees of approximately $3.6 million for the year ended December 31, 2024 compared to the year ended December 31, 2023 is mainly due to income of approximately $2.7 million from equity-method income recorded from the sale of the properties in the SUL JV during 2024 (approximately $1.9 million) and from the sale of properties in the Fantasia III JV in May 2024 (approximately $0.8 million) and losses from equity-method investees in 2023 related to the impairment loss and write off of the equity-method investment of approximately $1.2 million related to the Fantasia II JV and our share of the impairment in one property in the SUL JV of $0.1 million offset by income from the sale of two properties in the SUL JV for $0.7 million.

The impairment of real estate properties and intangible assets for the year ended December 31, 2023 of $11.4 million is related to the impairment of eight of our real estate properties. See Note 3 to the accompanying Notes to Consolidated Financial Statements for further information.

The gain on consolidation of interest in unconsolidated equity-method investment of approximately $1.1 million is due to the consolidation of a variable interest entity (Fantasia I JV) in July 2023 and the related gain and then the subsequent sale of the real estate in September 2023.

The approximately $30.7 million gain on derecognition and disposal of assets associated with GA8 Properties resulted from the derecognition of the GA8 Properties in March 2024, specifically related to the additional interest expense of approximately $13.0 million incurred through the disposal date of December 20, 2024 and the original gain of $17.7 million recorded in March 2024. See Note 14 in the accompanying Notes to the Consolidated Financial Statements.

The gain on sale of real estate of $11.2 million is related to the sale of the CA3 Properties. See Note 3 in the accompanying Notes to the Consolidated Financial Statements.

The increase in other income of approximately $0.1 million is mainly due to the increase in amounts invested in our money market accounts.

The increase in interest expense of $2.0 million for the year ended December 31, 2024 compared to the year ended December 31, 2023 is mainly due to an increase in interest rates and default interest on approximately $123.8 million of debt for the GA8 Properties.

Liquidity and Capital Resources

As of December 31, 2024, we had approximately $25.2 million in cash and cash equivalents on hand. Based on current conditions, we believe that we have sufficient capital resources to sustain operations and meet our capital needs for the next twelve months and the foreseeable future.

Going forward, we expect our primary sources of cash to be rental revenues, equity-method investment distributions and asset management fees. In addition, we may increase cash through the sale of additional properties, which may result in the deconsolidation of properties we already own, or borrowing against currently-owned properties. For the foreseeable future, we expect our primary uses of cash to be for funding future acquisitions, investments in joint ventures, operating expenses, interest expense on outstanding indebtedness and the repayment of principal on loans payable. We may also incur expenditures for renovations of our existing properties, making our facilities more appealing in their market.

All our debt obligations are long-term, fixed rate U.S. Department of Housing and Urban Development ("HUD")-insured loans that mature between 2039 and 2055. Our liquidity will increase if cash from operations exceeds expenses, we receive net proceeds from the sale of whole or partial interest in a property or properties, or refinancing results in excess loan proceeds. Our liquidity will decrease as proceeds are expended in connection with our acquisitions and operation of properties. In regard to our Operated Properties, our intent is to stabilize the operations of the facilities and market them for sale due to the significantly reduced willingness of AL manager/operators to execute long-term triple-net leases.

Credit Facilities and Loan Agreements

As of December 31, 2024, we had debt obligations of approximately $42.7 million. The outstanding balance by lender is as follows (see Note 4 to the accompanying Notes to Consolidated Financial Statements for further information regarding our financing arrangements):

- Capital One Multifamily Finance, LLC (HUD-insured) – approximately $9.7 million maturing September 2053

- Lument Capital (formerly ORIX Real Estate Capital, LLC) (HUD-insured) – approximately $33.0 million maturing from September 2039 through April 2055
- CIBC Bank, USA - Master Letter of Credit Agreement for $1.0 million (none outstanding)

As discussed above, we were released from our previous loan and guaranty obligations with CIBC Bank, USA and Oxford Finance LLC in connection with the December 2024 transfer of the GA8 Properties.

Debt Service Requirements

Please refer to Note 4 in the accompanying Notes to Consolidated Financial Statements for a detailed discussion of our loans payable.

Funds from Operations

Funds from operations (“FFO”) is a non-GAAP supplemental financial measure that is widely recognized as a measure of REIT operating performance. We compute FFO in accordance with the definition outlined by the National Association of Real Estate Investment Trusts (“NAREIT”). NAREIT defines FFO as net income (loss), computed in accordance with GAAP, excluding gains or losses from sales of property, plus real estate depreciation and amortization, impairments, and after adjustments for unconsolidated partnerships and joint ventures.

Our FFO may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than we do. We believe that FFO is helpful to investors and our management as a measure of operating performance because it excludes depreciation and amortization, gains and losses from property dispositions, and impairments, and as a result, when compared year to year, reflects the impact on operations from trends in occupancy rates, rental rates, operating costs, development activities, general and administrative expenses, and interest costs, which is not immediately apparent from net income. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting alone to be insufficient. As a result, our management believes that the use of FFO, together with the required GAAP presentations, provide a more complete understanding of our performance. Factors that impact FFO include fixed costs, delays in buying assets, lower yields on cash held in accounts pending investment, income from portfolio properties and other portfolio assets, interest rates on acquisition financing and operating expenses. FFO should not be considered as an alternative to net income (loss), as an indication of our performance, nor is it indicative of funds available to fund our cash needs, including our ability to make distributions.

The following is the reconciliation from net income (loss) applicable to common stockholders, the most direct comparable financial measure calculated and presented with GAAP, to FFO for the years ended December 31, 2024 and 2023:

	Year Ended December 31	
	2024	2023
Net income (loss) applicable to common stockholders (GAAP)	$ 27,106,000	$ (24,801,000)
Adjustments:		
Depreciation and amortization	2,636,000	7,261,000
Depreciation and amortization related to noncontrolling interests	(34,000)	(53,000)
Depreciation related to Equity-Method Investments	464,000	729,000
Impairment on real estate property in Equity-Method Investments (included in loss from Equity-Method Investments)	—	423,000
Gain on sale of properties in Equity-Method Investments (included in income from Equity-Method Investments)	(2,739,000)	(704,000)
Impairment on real estate properties	—	11,387,000
Gain on consolidation of interest in unconsolidated equity-method investment	—	(1,066,000)
Gain on sale of real estate properties	(11,151,000)	—
Gain on derecognition of assets associated with GA8 Properties	(30,681,000)	—
Funds used in operations (FFO) applicable to common stockholders	$ (14,399,000)	$ (6,824,000)
Weighted-average number of common shares outstanding – basic	23,027,978	23,027,978
FFO per weighted average common shares - basic	$ (0.63)	$ (0.30)
Weighted-average number of common shares outstanding – diluted	23,027,978	23,027,978
FFO per weighted average common shares - diluted	$ (0.63)	$ (0.30)

Subsequent Events

See Note 16 to the accompanying Notes to Consolidated Financial Statements for further information regarding subsequent events.

Critical Accounting Policies and Estimates

The preparation of our financial statements in accordance with GAAP, requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We believe that our critical accounting policies are those that require significant judgments and estimates. These estimates are made and evaluated on an on-going basis using information that is currently available as well as various other assumptions believed to be reasonable under the circumstances. Actual results could vary from those estimates, perhaps in materially adverse ways, and those estimates could be different under different assumptions or conditions. Our significant accounting policies are described in more detail in Note 2 to the accompanying Notes to Consolidated Financial Statements. We believe that the following discussion addresses our most critical accounting policies and estimates, which are those that are most important to the portrayal of our financial condition and results of operations and require management's most difficult, subjective and complex judgments.

Real Estate Purchase Price Allocation and Useful Lives

In accordance with Accounting Standards Codification ("ASC") 805, Business Combinations, our acquisitions of real estate investments generally do not meet the definition of a business, and are treated as asset acquisitions. The assets acquired and liabilities assumed are measured at their acquisition date relative fair values. Acquisition costs are capitalized as incurred. We allocate the acquisition costs to the tangible assets, identifiable intangible assets/liabilities and assumed liabilities on a relative fair value basis. Purchase price allocations contain uncertainties because they require management to make significant estimates and assumptions and to apply judgment to allocate the purchase price of real estate acquired among its components. We assess fair value based on available market information, including comparable transactions, rental rates, discount rates, and capitalization rates.

The fair value of land is derived from comparable sales of land within the same submarket and/or region. The fair value of buildings and improvements and furniture and fixtures considers the value of the property as if it was vacant as well as replacement costs, depreciation factors, and other relevant market information.

In allocating the fair value of the identified intangible assets and liabilities of an acquired property, above-market and below-market lease values are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be received pursuant to the leases and (ii) management's estimate of the amount that would be received using fair market lease rates over the remaining non-cancelable term of the lease and, for below-market leases, we also evaluate any renewal options associated with that lease to determine if the intangible should include those periods. The capitalized above-market lease values are amortized as a reduction of rental income over the remaining non-cancelable terms of the respective leases. The capitalized below-market lease values, also referred to as acquired lease obligations, are amortized as an increase to rental income over the initial terms of the respective leases.

The value of in-place leases consisting of tenant origination and absorption costs and leasing commissions avoided is based on our evaluation of the specific characteristics of each tenant's lease. Factors considered include estimates of carrying costs during expected lease-up periods, current market conditions, discount rates, and costs to execute similar leases. The value of in-place leases are amortized over the remaining term of the respective leases and included in depreciation and amortization in the consolidated statements of operations. If a tenant vacates its space prior to its contractual expiration date, any unamortized balance of their related intangible asset is expensed in the consolidated statements of operations.

There were no real estate acquisitions during the years ended December 31, 2024 and 2023.

Impairment of Real Estate Properties

An assessment as to whether our investments in real estate are impaired is highly subjective. Impairment calculations involve management's best estimate of the holding period, market comparables, future occupancy levels, rental rates, capitalization rates, lease-up periods and capital requirements for each property at the point in time when a valuation analysis is performed. We review our properties for recoverability when events or circumstances, including changes in our use of property or the strategy for its overall business, plans to sell a property before its depreciable life has ended, occupancy changes, significant near-term lease expirations, significant deteriorations of the underlying cash flows of the property, and other market factors indicate that the carrying amount of the property may not be recoverable. Impairment is measured as the amount by which the carrying amount of the property exceeds the fair value of the property. A change in any one or more of these factors could materially impact whether a property is impaired as of any given valuation date.

There were no material changes in the accounting methodology we use to assess impairment charges during the year ended December 31, 2024.

During 2023, we recorded an impairment of $11.4 million related to eight real estate properties, which is included in impairment of real estate properties and intangible assets in the consolidated statements of operations. The impairment was recorded due to the tenants experiencing issues affecting their ability to continue to pay their lease obligations. We utilized a market approach for the fair value estimate of the real estate properties and based our impairment on an estimated yield of 10.8%. We considered these inputs as Level 3 measurements within the fair value hierarchy.

We did not record any impairment charges during the year ended December 31, 2024.

Revenue Recognition

Revenue Recognition – Rental Revenue and Asset Management Fees

We collect rent from our tenants based on our lease agreements. We recognize revenues on an accrual basis as earned. Revenue from minimum lease payments under our leases is recognized on a straight-line basis to the extent that future lease payments are considered collectible. If tenant lease payments are not likely to be collected, then the revenues will be recognized on a cash basis (or if the answer changes at a later date, the revenues are adjusted to reflect what it would have been on a cash basis) and the adjustments will be recorded through rental revenues, rather than bad debt expense. Tenant reimbursements that are collected from the tenants are included within rental revenues and are based on the actual property tax and insurance incurred for the properties.

We earn our asset management fees based on a percentage of the purchase price or equity raised. As the manager, our duty is to manage the day-to-day operations of the special-purpose entities which own the properties. Asset management fees are recognized as a single performance obligation (managing the properties) comprised of a series of distinct services (handling issues with our tenants, etc.). We believe that the overall service of asset management is substantially the same each day and has the same pattern of performance over the term of the agreement. As a result, each day of service represents a performance obligation satisfied at that point in time. These fees are recognized at the end of each period for services performed during that period, billed monthly and paid quarterly.

Revenue Recognition - Resident Fees and Services

We recognize resident fees and services revenue at the amount that we expect to be entitled to in exchange for providing resident care and services. Resident fees are recognized and billed monthly based on the contracted rate in the resident lease agreements and the reimbursements from Medicaid are based on contracted reimbursement rates. These amounts are paid directly from the residents and/or third-party payors (currently only Medicaid). Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by us. The majority of resident fees and services is attributable to the portion of the base monthly lease fee in the resident lease agreement. We elected the lessor practical expedient within ASC 842, Leases ("ASC 842") and recognize the resident fee revenue based upon the predominant component, either the lease or non-lease component, of the contracts. We have determined that the lease component is the predominant component and the services included under the resident agreements have the same timing and pattern of transfer and are performance obligations that are satisfied over time. Resident services consist of care level services and certain other ancillary services (i.e., housekeeping, laundry, etc.). These services are provided and paid for in addition to the standard fees included in each resident lease (i.e., room and board, standard meals, etc.).

Equity-Method Investments

We recognize our investments in unconsolidated entities over whose operating and financial policies we have the ability to exercise significant influence but not control, under the equity method of accounting. We initially record our investments based on our cash invested or for properties that we have contributed, at the carrying value of the properties at the time of contribution.

We evaluate our equity-method investments for impairment whenever events or changes in circumstances indicate that the carrying value of our investments may be other than temporarily impaired and when the carrying value may exceed the fair value. The fair value is estimated based on discounted cash flows models that include all estimated cash flows and terminal values based on an estimated hold period. The discounted cash flows are based on several assumptions including terminal capitalization rates, terminal lease rates, stabilized occupancy, stabilized operating margin, and discount rates. The assumptions are generally based on management's experience in its real estate markets, and the effects of current market conditions, which are subject to economic and market uncertainties. If we believe that there is an other-than temporary decline in the value of an equity method investment, we would record an impairment loss to the extent that the carrying value exceeds the estimated fair value of such equity-method investment.

For the years ended December 31, 2024 and 2023, we recorded impairment of $0 and $0.5 million, respectively, of our Equity-Method Investments. See Note 5 to the accompanying Notes to Consolidated Financial Statements for further information.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the index included at Item 15. Exhibits and Financial Statement Schedules.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

As previously disclosed in our current report on Form 8-K filed with the SEC on August 28, 2024, on August 22, 2024, the Company, with approval of the Audit Committee of its Board of Directors, engaged Haskell & White LLP ("HW") as the Company's new independent registered public accounting firm for the year ending December 31, 2024, and in connection therewith dismissed BDO USA, P.C. ("BDO") as the Company's independent registered public accounting firm, subject to HW standard client acceptance procedures, which were completed on August 27, 2024.

During the two fiscal years ended December 31, 2023 and December 31, 2022, and the interim period through August 22, 2024, (i) the Company had no disagreements with BDO on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement, if not resolved to the satisfaction of BDO, would have caused it to make reference to the subject matter of the disagreement in connection with its report, and (ii) there were no "reportable events" within the meaning of Item 304(a)(1)(v) of Regulation S-K, except for a material weakness in the Company's internal control over financial reporting as of

December 31, 2023, initially reported in Part II, Item 9A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, related to failures in the design, maintenance and monitoring of certain financial reporting controls specific to the technical accounting for significant and unusual transactions as a result of insufficient technical accounting resources at the Company. During the fiscal year in which the change in accountants took place and through the date of this report, there have not been any transactions or events similar to those which involved such reportable event.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management, under the supervision of our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), periodically evaluate the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities and Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our senior management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), as appropriate, to allow timely decisions regarding required disclosure. Based upon this evaluation as of December 31, 2024, our Chief Executive Officer (Principal Executive Officer) and our Chief Financial Officer (Principal Financial Officer) have concluded that these disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in reports we filed or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosures.

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Management's Report on Internal Control over Financial Reporting

Our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13(a)-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

Based on their evaluation, our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) have concluded that our internal control over financial reporting was effective as of December 31, 2024.

Remediation of Prior Material Weakness

As previously disclosed in our annual report on Form 10-K for the fiscal year ended December 31, 2023, the Company identified certain material weaknesses related to a failure to design, maintain and monitor certain financial reporting controls specific to significant and unusual transactions, and outlined its planned remediation measures. Generally, a material weakness is not considered fully remediated until the enhanced controls related to that material weakness are fully implemented and operate for a sufficient period of time and management has concluded that these controls are operating effectively. Through the fiscal year ended December 31, 2024, the Company began implementing certain remediation measures with respect to these material weaknesses. In the quarter ended December 31, 2024, we completed our remediation and review of the controls and procedures related to our technical accounting resources, specifically with respect to significant and unusual transactions. These remediation actions included hiring consultants to assist the Company in the design, maintenance and monitoring of certain financial reporting controls that are intended to prevent such deficiencies in the future, as well as to provide technical accounting resources when the Company may not have such resources within the accounting function at the Company, especially when complex transactions are entered into. Management has concluded through testing that the controls implemented are operating effectively and continues to report regularly to our Audit Committee on the results of our remediation.

This report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. As a smaller reporting company under applicable SEC rules, we are not required to include an attestation of management's report from our independent registered public accounting firm.

Changes in Internal Control over Financial Reporting

Except for the remediation activities described in the preceding paragraphs, there have been no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

10b5-1 Plans

During the year ended December 31, 2024, no director or officer adopted or terminated any contract, instruction or written plan for the purchase or sale of securities of the registrant intended to satisfy the affirmative defense conditions of Rule 10b5–1(c) or any "non-Rule 10b5-1 trading arrangement" as defined in paragraph (c) of Item 408 of Regulation S-K.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Board of Directors

Our Board of Directors (our "Board") is currently comprised of three members, Mr. J. Steven Roush, Ms. Suzanne Koenig, and Ms. Elizabeth Pagliarini, of which, J. Steven Roush and Suzanne Koenig are independent directors.

J. Steven Roush, CPA, age 78, serves on our Audit, Independent Directors, Compensation and Investment Committees. Mr. Roush chairs our Board of Directors and our Audit Committee. Mr. Roush's terms on our Board and the Committees noted above expire on the date of the 2025 Annual Meeting. Mr. Roush retired from PricewaterhouseCoopers (PWC) in 2007 after 39 years, 30 of those as a Partner. Mr. Roush brings experience in a diverse number of industries ranging from manufacturing, non-profits and retail (restaurants) with concentrations in real estate (office, residential, hospitality and commercial), telecommunications and pharmaceutical. He has a background in dealing with both private and public company boards of directors. Mr. Roush has a Bachelor of Science Degree in Accounting from Drake University and an Executive Masters Professional Director Certification from the American College of Corporate Directors. Mr. Roush has served on our Board since 2014.

Mr. Roush brings to our Board years of dealing with the SEC and its various regulatory filings, Sarbanes Oxley (SOX 404) implementation and maintenance and the experience of working with many diverse boards running across varied industries. Over the years, he has served as an office managing partner, an SEC Review Partner (over 20 years) and a Risk Management Partner. Mr. Roush previously served as Chairman of the Board and Chairman of the Audit Committee of W.E. Hall Company, a privately held manufacturer and distributor of corrugated pipe and related drainage products and Chairman of the Board and Chairman of the Audit Committee for Fieldpiece Instruments, Inc., a privately held manufacturer of hand held instruments for HVAC/R field service. He is on the Board of Directors of the American Heart Association - Orange County and previously served six years on the Audit Committee of the National American Heart Association. Mr. Roush serves on the Corporate Cabinet of the Tocqueville Society of United Way – Orange County. Mr. Roush is a founding member of the Private Directors Association-Southern California chapter. Mr. Roush also served on the Board of Trustees of the Orange County Museum of Art and was the Treasurer and the Chairman of the Finance Committee. He also previously served as a member of the Board and Chairman of the Audit committee of AirTouch Communications, Inc., a public telecommunication device company, and Staar Surgical Company, a public manufacturer of implantable lenses for the eye. Our Board has determined that Mr. Roush satisfies the SEC's requirements of an "audit committee financial expert."

Suzanne Koenig, age 64, serves on our Audit, Independent Directors, Compensation and Investment Committees. Ms. Koenig's terms on our Board and the Committees noted above expire on the date of the 2025 Annual Meeting. Ms. Koenig is president and founder of SAK Management Services LLC, a nationally recognized long-term care management and healthcare consulting services company, where she has worked for over 20 years. With over 35 years of extensive experience as an owner and operator, Ms. Koenig offers specialized skills in operations improvement, staff development and quality assurance with particular expertise in marketing, census development and operations enhancement for the whole spectrum of senior housing, long-term care and other healthcare entities requiring turnaround services. Ms. Koenig has served on our Board since 2015.

Ms. Koenig's professional experience has included executive positions in marketing, development and operations management for both regional and national healthcare providers representing property portfolios throughout the United States. Recently Ms. Koenig has been appointed as the Patient Care Ombudsman, Examiner, Receiver and Chapter 11 Trustee in several of the new Health Care Bankruptcy Filings (Chapter 11 and Chapter 7) with the advent of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, including healthcare entities such as physician practices and hospitals. In addition, Ms. Koenig has served in an advisory and consulting capacity for numerous client engagements involving bankruptcy proceedings as well as in turnaround management situations. She offers proven proficiency in maximizing financial return and cash flow, while maintaining the highest standards of quality care.

Ms. Koenig brings to our Board over 40 years of experience in operating long-term care facilities. Ms. Koenig offers the practical perspective of the challenges and opportunities confronting healthcare providers in managing the changing dynamics of this industry. She is a Certified Turnaround Practitioner, a Licensed Nursing Home Administrator and a Licensed Social Worker in multiple states where she has worked.

Ms. Koenig also serves as an officer and director for several of the states' long term care provider associations. Ms. Koenig is the former Co-Chair of the American Bankruptcy Institute's Health Care Insolvency Committee and Ms. Koenig is a Board of Director for the Global Turnaround Management Association Chapter. Ms. Koenig is a frequent speaker for various healthcare industry associations and business affiliates where she conducts continuing education and training programs. She holds a Master of Science Degree from Spertus College, Illinois, and a Bachelor of Social Work Degree from the University of Illinois, Champaign-Urbana, Illinois.

Elizabeth Pagliarini, age 54, currently serves as our Chief Executive Officer and Secretary. Further information regarding Ms. Pagliarini's business experience and specific skills that qualify her to serve as a director of the Company is set forth below in the "Executive Officers" section. Ms. Pagliarini has served on our Board since July 2023.

Executive Officers

Ms. Elizabeth Pagliarini is our Chief Executive Officer and Secretary. Our Chief Financial Officer and Treasurer is Ms. Sharyn Grant.

Elizabeth Pagliarini, age 54, was appointed as our Chief Executive Officer and Secretary, as well as a member of our Board of Directors, in July 2023, the term of which expires on the date of the 2025 Annual Meeting, and has been with the Company since June 2014. She previously served as our Chief Financial Officer and Treasurer since September 2014 and Chief Operating Officer since August 2019. Ms. Pagliarini is a seasoned executive with over 30 years of experience in financial services and investment banking having held positions including chief executive officer, president, chief financial officer and chief compliance officer. Ms. Pagliarini successfully broke the "glass ceiling" in her mid-twenties as chief executive officer and chairwoman of the board of an investment brokerage subsidiary of a public company in Beverly Hills, California. She also co-founded a boutique investment bank and registered broker-dealer. Prior to working at Summit, Ms. Pagliarini was a principal at a securities litigation and financial consulting firm since 2001 and chief compliance officer and FINOP (financial and operations principal) at a Los Angeles-based investment bank from 2005-2008. Ms. Pagliarini received her Bachelor of Science in Business Administration with a concentration in Finance from Valparaiso University where she was honored with their highest academic award, the Presidential Scholarship. She is also a Certified Fraud Examiner (CFE).

Ms. Pagliarini is a member of the Board of Directors of First Foundation Inc. (NYSE: FFWM), and serves as chairperson of its risk committee, and as a member of the compensation and nominating and governance committees. She has served as Chairwoman of the Mission Viejo, California Investment Advisory Commission and as an advisory board member of The CFO Executive Summit of Southern California. In addition, she proudly serves on the Emeritus Board of Directors for Forever Footprints, a non-profit organization that provides support to families that have suffered the loss of a baby during pregnancy or infancy and educates the medical community to improve quality of care and response. In 2020, Ms. Pagliarini was awarded with the Lifetime Achievement Award at the Orange County Business Journal's CFO of the Year Awards after receiving nominations for CFO of the Year in both 2019 and 2020. She has also been named one of "20 Women to Watch" by OC Metro magazine and nominated for The Orange County Business Journal's Women in Business Award. Additionally, she has been honored by Step Up Women's Network as the recipient of their prestigious Commitment to Philanthropy Volunteer Award and by Forever Footprints as the winner of their Compassion Award.

Sharyn Grant, age 62, was appointed as Summit's Chief Financial Officer and Treasurer in July 2023. She has been with the Company since 2015 and previously served as our Controller. Ms. Grant has over 25 years of experience in accounting and finance in real estate, healthcare and technology. Ms. Grant's responsibilities include corporate strategy, budgeting, forecasting and financial analysis, treasury, audit, SEC reporting and tax functions. Ms. Grant holds an active Certified Public Accountant (CPA) license, which she attained during her 10-year career at BDO USA, LLP, and is a member of the American Institute of Certified Public Accountants. Ms. Grant received her Bachelor of Arts in Business Administration with a concentration in Accounting, with high honors, from Cal State University, Fullerton.

Code of Business Conduct and Ethics

Our Board has adopted a Code of Business Conduct and Ethics that is applicable to all members of our Board and our executive officers. The Code of Business Conduct and Ethics can be accessed through our website: www.summithealthcarereit.com/code-of-business-conduct-and-ethics.

Changes to Director Nomination Procedures

As previously disclosed in our current report on Form 8-K filed with the SEC on February 20, 2025, on February 14, 2025, the Board of Directors of the Company established May 13, 2025, as the date of the Company's 2025 annual meeting of stockholders (the "**2025 Annual Meeting**"). The time and location of the 2025 Annual Meeting will be specified in the Company's proxy statement for the 2025 Annual Meeting. The Board has fixed the close of business on April 1, 2025, as the record date for determining stockholders of the Company who are entitled to vote at the 2025 Annual Meeting, including any adjournments or postponements thereof.

Pursuant to the Company's Amended and Restated Bylaws, as amended (our "Bylaws"), any stockholder who wishes to make a nomination or introduce an item of business at the 2025 Annual Meeting, other than pursuant to Rule 14a-8 under the Exchange Act, must comply with the procedures set forth in our Bylaws, including delivering proper notice to us in writing to our Corporate Secretary at our principal executive offices not later than the close of business on March 22025 (i.e. the tenth day following the day on which public announcement of the date of such meeting is first made). The notice must also include the information specified in our Bylaws.

In addition, to comply with the SEC's universal proxy rules, shareholders who intend to solicit proxies in support of director nominees other than the Company's nominees must provide notice in writing to our Corporate Secretary at our principal executive offices that sets forth the information required by Rule 14a-19 under the Exchange Act, no later than March 2, 2025.

Notices of intention to present proposals or nominate directors at the 2025 Annual Meeting, and all supporting information required by SEC rules and our Bylaws, as applicable, must be submitted to: Corporate Secretary, Summit Healthcare REIT, Inc. 23382 Mill Creek Drive, Suite 125, Laguna Hills, CA 92653.

Audit Committee

Our Board has a standing Audit Committee that selects the independent public accountants that audit our annual consolidated financial statements, reviews the plans and results of the audit engagement with the independent public accountants, approves the audit and non-audit services provided by the independent public accountants, reviews the independence of the independent public accountants, considers the range of audit and non-audit fees and reviews the adequacy of our internal accounting controls. The current members of the Audit Committee are J. Steven Roush and Suzanne Koenig. J. Steven Roush serves as the Chairman of the Audit Committee and satisfies the SEC's requirements of an "audit committee financial expert."

Insider Trading Policy

The Company has adopted a Policy on Insider Trading that governs the purchase, sale, and/or other dispositions of the Company's securities by directors, officers and employees, and which is filed as an exhibit to this Annual Report on Form 10-K. The Company believes its Policy on Insider Trading is reasonably designed to promote compliance with insider trading laws, rules and regulations.

ITEM 11. EXECUTIVE COMPENSATION

Executive Compensation

The following table provides certain information concerning compensation for services rendered in all capacities by our named executive officers during the fiscal years ended December 31, 2024 and 2023.

Name and Principal Position	Year	Salary	Bonus	Option Awards(6)	All Other Comp	Total
Elizabeth Pagliarini Chief Executive Officer and Secretary as of July 15, 2023, and Chief Financial Officer and	2024	$ 575,760	$ 400,000 (4)	$ —	$ 13,800 (2)	$ 989,560
Chief Operating Officer and Treasurer (through July 14, 2023)	2023	$ 489,033	$ 425,000 (3)	$ —	$ 13,200 (1)	$ 927,233
Sharyn Grant Chief Financial Officer and Treasurer	2024	$ 250,760	$ 40,000	$ —	$ 32,297 (5)	$ 323,057
Sharyn Grant Chief Financial Officer and Treasurer (effective July 15, 2023)	2023	$ 227,835	$ 40,000	$ 22,750	$ 10,714 (1)	301,299

(1) This amount relates to the employer matching 401(K) contributions which were paid in 2023.
(2) This amount relates to the employer matching 401(K) contributions which were paid in 2024.
(3) $25,000 relates to discretionary Management by Objectives (MBO) bonuses earned in 2022 which were paid in 2023.
(4) Relates to discretionary MBO bonus earned in 2024 which was paid in 2025.
(5) $12,425 of this amount relates to the employer matching 401(K) contributions which were paid in 2024 and $19,872 related to unused paid time off earned in prior years paid out in 2024.
(6) Reflects the aggregate grant date fair value of awards granted to the named executive officers in the reported year. All options have been granted as incentive stock options under the Company's 2015 Omnibus Incentive Plan. For more information regarding the grant date fair value of awards of common stock, see Note 12 to the accompanying Notes to Consolidated Financial Statements for assumptions made in the valuation for option awards.

Employment Agreements with Named Executive Officers

In December 2024, the Company has entered into an employment agreement with Elizabeth Pagliarini, Chief Executive Officer and Secretary, which was approved by the Company's Compensation Committee and Board of Directors. Ms. Pagliarini's employment agreement has a three-year term and contains standard terms relating to salary, bonus, position, duties and benefits (including eligibility for equity compensation), as well as a special cash payment following termination without cause or a change in control of the Company, as discussed in greater detail below. The base salary for Ms. Pagliarini was set at $575,000 per annum and is subject to annual merit increases.

In November 2024, the Company has entered into an employment agreement with Sharyn Grant, Chief Financial Officer and Treasurer, which was approved by the Company's Compensation Committee and Board of Directors. Ms. Grant's employment agreement has a three-year term and contains standard terms relating to salary, bonus, position, duties and benefits (including eligibility for equity compensation), as well as a special cash payment following termination without cause or a change in control of the Company, as discussed in greater detail below. The base salary for Ms. Grant was set at $250,000 per annum and is subject to annual merit increases.

Potential Payments upon Termination or Change in Control

Under Ms. Pagliarini's and Ms. Grant's employment agreement, if there is a termination of the executive's employment by the Company without cause or by them for good reason, then the named executive officer will be entitled to receive payment of any base salary amounts that have accrued but not been paid as of the termination date, expenses not yet reimbursed, vested benefits accrued through the termination date payable pursuant to the plans providing such benefits and cash severance in the amount equal to two times base salary for Ms. Pagliarini and one times base salary for Ms. Grant. In addition, all options granted to the executive under the Summit Healthcare REIT, Inc. 2015 Omnibus Incentive Plan that otherwise were unvested shall immediately and fully accelerate and shall be deemed to be vested, and the executive shall be entitled to reimbursement for monthly COBRA premiums until the earliest of (A) the specified number of months from the anniversary of the termination date; or (B) the date on which she becomes eligible to enroll in comparable coverage with another employer.

If the Company undergoes a change in control during the executive's term of employment or within six months after the termination of the employment, other than for cause, then the Company will pay a cash bonus in the amount equal to three times base salary for Ms. Pagliarini and one times base salary for Ms. Grant, as defined in the employment agreements. In addition, all options granted to the executive under the Summit Healthcare REIT Inc., 2015 Omnibus Incentive Plan that otherwise were unvested shall immediately and fully accelerate and shall be deemed to be vested.

Director Compensation

In the event that a director is also one of our full-time executive officers, we do not pay any compensation for services rendered as a director. The amount and form of compensation payable to our directors for their service to us is determined by the Compensation Committee of our Board, based in part on its evaluation of third-party board compensation information.

The following table summarizes the annual compensation received by our independent directors for the fiscal year ended December 31, 2024.

Name	Fees Earned or Paid in Cash in 2024	Stock Awards	Total
J. Steven Roush	$ 82,000	$ —	$ 82,000
Suzanne Koenig	$ 62,000	$ —	$ 62,000

During fiscal year 2024, we paid each of our independent directors' compensation as follows:

- $50,000 annual retainer, paid pro-rata monthly ($12,500 per director per quarter);
- Board meeting fee of $2,000 per meeting for each regularly scheduled Board meeting ($2,000 per director per quarter);
- Special Board meeting fee of $1,000 per meeting, per director, which will apply to any Board meeting called by an executive officer of the Company that is not a regular scheduled Board meeting;
- Committee fees of $1,000 per committee meeting duly called by an officer of the Company (approximately $1,000 per director per quarter, plus other meetings); and
- Annual fee of $12,500 for the Chairman of the Board of Directors and $7,500 for the Chairman of the Audit Committee.

All directors are reimbursed for all reasonable out-of-pocket expenses incurred in connection with attendance at meetings of our Board and Committees.

Summit Healthcare REIT, Inc. 2015 Omnibus Incentive Plan

In October 2015, we adopted the Summit Healthcare REIT, Inc. 2015 Omnibus Incentive Plan. The purpose of the Omnibus Incentive Plan is to provide a means through which to attract and retain key personnel and to provide a means whereby current or prospective directors, officers, employees, consultants and advisors can acquire and maintain an equity interest in us, or be paid incentive compensation, including incentive compensation measured by reference to the value of our common stock, thereby strengthening their commitment to our welfare and aligning their interests with those of our stockholders.

The Omnibus Incentive Plan provides that the total number of shares of common stock that may be issued under the Omnibus Incentive Plan is 3,000,000.

Policies and Practices Related to the Grant of Certain Equity Awards Close in Time to the Release of Material Nonpublic Information

Because there is no current public market for our common stock, the release of material nonpublic information is unlikely to result in changes to the price of our common stock. Similarly, the award of stock options or similar equity awards does not constitute a significant portion of the compensation paid to our executive officers or other employees. Notwithstanding the foregoing, our policy is to not grant stock options or similar awards in anticipation of the release of material nonpublic information, such as a significant positive or negative earnings announcement, and not time the public release of such information based on stock option grant dates.

In addition, it is our policy to not grant stock options or similar awards during periods in which there is material nonpublic information about our Company, including (i) during “blackout” periods or outside a “trading window” established in connection with the public release of earnings information under our insider trading policy or (ii) at any time during the four business days prior to or the one business day following the filing of our periodic reports or the filing or furnishing of a Form 8-K that discloses material nonpublic information.

We did not grant any stock options or equity awards in 2024. Historically, the Compensation Committee has awarded stock options or equity awards in April of a fiscal year. If we grant any stock options or equity awards on a go forward basis, we will ensure that such grants are made at least four business days before or after the filing of our annual report on Form 10-K for such recently completed fiscal year (with the first day being the filing date), any quarterly report on Form 10-Q or the filing or furnishing of any current report on Form 8-K that discloses material nonpublic information (other than a current report on Form 8-K disclosing a material new option award grant under Item 5.02(e) of that form).

Outstanding Equity Awards as of December 31, 2024

The following table presents information regarding the outstanding equity awards held by each of our named executive officers as of December 31, 2024, including the vesting dates for the portions of these awards that had not vested as of that date.

	Option Awards			
Name	Number of Securities Underlying Unexercised Options - Exercisable	Number of Securities Underlying Unexercised Options - Unexercisable	Option Exercise Price	Option Expiration Date
Elizabeth Pagliarini	100,000	—	$ 1.72	12/17/2025
Elizabeth Pagliarini	73,118	—	$ 2.02	12/1/2026
Elizabeth Pagliarini	70,000	—	$ 2.04	4/1/2027
Elizabeth Pagliarini	17,445	—	$ 2.26	11/7/2027
Elizabeth Pagliarini	80,000	—	$ 2.24	4/1/2028
Elizabeth Pagliarini	225,000	—	$ 2.26	3/1/2029
Sharyn Grant	10,000	—	$ 2.02	12/31/2026
Sharyn Grant	10,000	—	$ 2.24	12/31/2027
Sharyn Grant	12,000	—	$ 2.26	12/31/2028
Sharyn Grant	12,000	—	$ 2.26	12/31/2029
Sharyn Grant	22,222	2,778 (1)	$ 2.35	3/31/2032
Sharyn Grant	13,889	11,111 (2)	$ 2.18	3/31/2033

(1) 695 stock options vest monthly and become fully vested on April 1, 2025
(2) 695 stock options vest monthly and become fully vested on April 1, 2026

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

Our only equity compensation plan is the Company’s 2015 Omnibus Incentive Plan, and the only form of equity granted pursuant to our 2015 Omnibus Incentive Plan to date are stock options. Our equity compensation plan information as of December 31, 2024 is as follows:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance
Equity compensation plans approved by security holders	1,134,730	$ 2.16	1,865,270
Equity compensation plans not approved by security holders	—	—	—
Total	1,134,730	$ 2.16	1,865,270

OWNERSHIP OF EQUITY SECURITIES

Security Ownership of Certain Beneficial Owners

There are no persons known to the Company to beneficially own 5% or more of our outstanding common stock.

Security Ownership of Management

The following table sets forth information as of March 15, 2025, regarding the beneficial ownership of our common stock by each of our directors, each of our named executive officers, and our directors and executive officers as a group. The percentage of beneficial ownership is calculated based on 23,027,978 shares of common stock outstanding as of March 15, 2025.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percentage of Class
Elizabeth Pagliarini	565,563	2.5 %
J. Steven Roush	160,000	*
Suzanne Koenig	110,000	*
Sharyn Grant	86,361	*
All current directors and executive officers as a group (4 persons)	921,924	4.0 %

* Less than 1%.

(1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities and shares issuable pursuant to options, warrants and similar rights held by the respective person or group that may be exercised within 60 days following March 15, 2025. Except as otherwise indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. None of the securities listed are pledged as security.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The Independent Directors Committee has reviewed the material transactions between the Company and our affiliates (including CRA, our former advisor) since the beginning of 2024, as well as any such currently proposed transactions. Set forth below is a description of such transactions.

Our Relationship with Our Equity-Method Investments

We currently have an interest in three equity-method investments (collectively, “Equity-Method Investments”) (see Note 5 to the Notes to Consolidated Financial Statements). We serve as the manager of our Equity-Method Investments and provide various services in exchange for fees and reimbursements. Under the agreements, as the manager, we are paid an annual asset management fee based on the properties in the portfolios, as defined in the agreements. All asset management fees are paid to Summit Healthcare Asset Management, LLC (“SAM TRS”), our consolidated taxable REIT subsidiary, and expenses incurred by us, as the manager, are reimbursed from SAM TRS.

For the year ended December 31, 2024, we recorded approximately $0.3 million in asset management fees as the manager of the Equity-Method Investments.

Our Policy regarding Transactions with Affiliates

Our charter requires our Independent Directors Committee to review and approve all transactions involving our affiliates and us. For example, prior to entering into a transaction with an affiliate, a majority of the Independent Directors Committee must have concluded that the transaction was fair and reasonable to us and on terms and conditions not less favorable to us than those available from unaffiliated third parties. Furthermore, our Independent Directors Committee must review at least annually our fees and expenses to determine that the expenses incurred are reasonable in light of our investment performance, our net asset value, our net income and the fees and expenses of other comparable unaffiliated REITs.

Our Code of Business Conduct and Ethics sets forth examples of types of transactions with related parties that would create conflicts of interest between the interests of our stockholders and the private interests of the parties involved in such transactions. Our directors and officers are required to take all reasonable action to avoid such conflicts of interest or the appearance of conflicts of interest. If a conflict of interest becomes unavoidable, our directors and officers are required to report the conflict to a designated ethics contact, which, depending on the circumstances of the transaction, would be either our Chief Executive Officer, Chief Financial Officer or the Chairman of our Audit Committee. The appropriate ethics contact is then responsible for working with the reporting director or officer to monitor and resolve the conflict of interest in accordance with our Code of Business Conduct and Ethics.

Director Independence

Our charter contains detailed criteria for determining the independence of our directors and requires a majority of the members of our Board to qualify as independent. Our Board consults with our legal counsel to ensure that its independence determinations are consistent with our charter and applicable securities and other laws and regulations. Consistent with these considerations, after reviewing all relevant transactions or relationships between each director, or any of his family members and the Company, our senior management and our independent registered public accounting firm, our Board has determined that a majority of our Board is independent. Furthermore, although our shares are not listed on a national securities exchange, our Board reasonably believes that a majority of our Board and, thus, a majority of our Audit Committee, Independent Directors Committee, Compensation Committee and Investment Committee are independent under the Nasdaq Stock Exchange listing standards.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table lists the aggregate fees billed for services incurred by us in fiscal years 2024 and 2023 rendered by Haskell & White LLP and BDO USA, P.C.:

	Year Ended December 31,	
BDO USA, P.C.	**2024**	**2023**
Audit Fees(1)	$ 220,000	$ 449,000
Total	$ 220,000	$ 449,000

	Year Ended December 31,	
Haskell & White LLP	**2024**	**2023**
Audit Fees(1)	$ 227,000	$ —
Total	$ 227,000	$ —

(1) Audit fees for 2024 and 2023 consisted of the audit of our annual consolidated financial statements, reviews of our quarterly consolidated financial statements, consents, and other audit services related to filings with the SEC.

The Audit Committee pre-approves all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for us by our independent auditor, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act and the rules and regulations of the SEC which are approved by the Audit Committee prior to the completion of the audit.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

The following financial statements are included in a separate section of this Annual Report on Form 10-K commencing on the page numbers specified on the next page:

Reports of Independent Registered Public Accounting Firms

Consolidated Balance Sheets as of December 31, 2024 and 2023

Consolidated Statements of Operations for the Years Ended December 31, 2024 and 2023

Consolidated Statements of Equity (Deficit) for the Years Ended December 31, 2024 and 2023

Consolidated Statements of Cash Flows for the Years Ended December 31, 2024 and 2023

Notes to Consolidated Financial Statements

(2) Exhibits

The exhibits listed on the Exhibit Index (following the signatures section of this report) are included, or incorporated by reference, in this annual report.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Stockholders and Board of Directors
Summit Healthcare REIT, Inc
Laguna Hills, California

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Summit Healthcare REIT, Inc. and Subsidiaries (the "Company") as of December 31, 2024, the related consolidated statements of operations, equity, and cash flows for the year then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2024, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Evaluation of Impairment of Real Estate Investments

The aggregate carrying value of the Company's real estate properties and equity-method investments was $40.4 million as of December 31, 2024. Management regularly monitors events and changes in circumstances, including investment operating performance and market conditions, that could indicate that the carrying amounts of its real estate investments may not be recoverable. When indicators of potential impairment suggest that the carrying value of real estate investments may not be recoverable, management assesses recoverability by estimating whether the Company will recover the carrying value of its real estate investments through undiscounted future cash flows, which include eventual disposition of the investment. The undiscounted future cash flows used to assess recoverability are based on several assumptions utilizing management's best estimates as of the date of evaluation. These assumptions include, among others, forecasted operating cash flows, investment holding period, market capitalization rates, and estimated current market values based on analysis of letters of intent, comparable sales and other industry market data. If, based on this analysis, management does not believe that the Company will be able to recover the carrying value of real estate investments, the Company would recognize an impairment loss to the extent that the carrying value exceeds the estimated fair value.

The principal considerations for our determination that the evaluation of impairment of real estate investments is a critical audit matter are the significant judgments required by management in identifying indicators of impairment, forecasting undiscounted future cash flows utilized in the recoverability assessment, and evaluating other qualitative factors, which in turn, required a high degree of auditor judgment, subjectivity, and effort in performing audit procedures and evaluating audit evidence related to management's judgments.

The procedures we performed to address the critical audit matter included:

- Understanding management's impairment assessment process, identifying key internal controls, and ensuring that the Company's accounting policies and practices comply with accounting principles generally accepted in the United States of America;

- Testing management's process for identifying events and changes in circumstances that are indicators of impairment and assessing the recoverability of the real estate investments with potential impairments;

- Evaluating the appropriateness of the undiscounted cash flow models used in the recoverability assessment process, which included testing the completeness, accuracy, relevance and reliability of the underlying data, comparing data to source documents and external market and industry data;

- Evaluating the reasonableness of management's assessment of other qualitative factors related to performance of the investment and market conditions, which included assessing the consistency with the current and past performance of the real estate investment and evaluating external communications from market participants; and

- Inquiring of management and the Board of Directors as to their knowledge of any other factors that may potentially impact the Company's impairment assessment.

/s/ Haskell & White LLP

We have served as the Company's auditor since 2024.

Irvine, California

March 26, 2025

Report of Independent Registered Public Accounting Firm

Stockholders and Board of Directors
Summit Healthcare REIT, Inc
Laguna Hills, California

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Summit Healthcare REIT, Inc. (the "Company") as of December 31, 2023, the related consolidated statements of operations, equity (deficit), and cash flows for the year then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Subsequent Event Related to the GA8 Properties Loan

As discussed in Note 14 to the consolidated financial statements, the Company received a notice of default from Oxford Financing LLC, ("Oxford") for the mezzanine loan dated March 12, 2024, whereby the mezzanine lender has exercised certain rights, including, their right to act as attorney-in-fact of Summit Georgia Holdings LLC, appointment of an independent manager over the underlying eight properties located in Georgia (the "GA8 Properties"), thereby removing the Company as the manager and removing the Company's voting rights and rights to receive any distributions with respect to such properties. The Oxford notice of default also constitutes an event of default under the GA8 Properties subordinated term loan with Oxford and the mortgage loan with CIBC Bank, USA.

/s/ BDO USA, P.C.

We served as the Company's auditor from 2013 to 2024.

Costa Mesa, California

April 15, 2024

SUMMIT HEALTHCARE REIT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2024 and 2023

	December 31, 2024	December 31, 2023
ASSETS		
Cash and cash equivalents	$ 25,195,000	$ 10,997,000
Restricted cash	2,744,000	3,186,000
Real estate properties, net (Notes 3 and 14)	39,939,000	156,966,000
Intangible lease assets, net (Notes 3, 8 and 14)	—	11,653,000
Tenant and other receivables, net	1,617,000	2,590,000
Other assets, net	874,000	1,552,000
Equity-method investments	449,000	2,852,000
Total assets	$ 70,818,000	$ 189,796,000
LIABILITIES AND EQUITY (DEFICIT)		
Accounts payable and accrued liabilities	$ 4,193,000	$ 8,079,000
Security deposits	338,000	3,705,000
Loans payable, net of debt issuance costs (Notes 4 and 14)	41,030,000	179,929,000
Total liabilities	45,561,000	191,713,000
Commitments and contingencies (Note 11)		
Stockholders' Equity (Deficit)		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; no shares issued or outstanding at December 31, 2024 and 2023	—	—
Common stock, $0.001 par value; 290,000,000 shares authorized; 23,027,978 shares issued and outstanding at December 31, 2024 and 2023	23,000	23,000
Additional paid-in capital	116,520,000	116,473,000
Accumulated deficit	(91,429,000)	(118,535,000)
Total stockholders' equity (deficit)	25,114,000	(2,039,000)
Noncontrolling interests	143,000	122,000
Total equity (deficit)	25,257,000	(1,917,000)
Total liabilities and equity (deficit)	$ 70,818,000	$ 189,796,000

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

SUMMIT HEALTHCARE REIT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2024 and 2023

	2024	2023
Revenues:		
Total rental revenues	$ 8,986,000	$ 18,072,000
Resident fees and services	7,102,000	6,823,000
Asset management fees	266,000	554,000
Total operating revenue	16,354,000	25,449,000
Expenses:		
Property operating costs	1,498,000	3,773,000
Resident costs	6,008,000	5,772,000
General and administrative	4,621,000	5,171,000
Depreciation and amortization	2,716,000	7,318,000
Impairment of real estate properties and intangible assets	—	11,387,000
Total operating expenses	14,843,000	33,421,000
Gain on derecognition and disposal associated with GA8 Properties (Note 14)	(30,681,000)	—
Gain on sale of real estate properties (Note 3)	(11,151,000)	—
Operating income (loss)	43,343,000	(7,972,000)
Income (loss) from equity-method investees	2,887,000	(754,000)
Other income	523,000	399,000
Interest expense	(3,086,000)	(4,270,000)
Interest expense associated with GA8 Properties (Note 14)	(16,459,000)	(13,251,000)
Gain on consolidation of interest in unconsolidated equity-method investment	—	1,066,000
Net income (loss)	27,208,000	(24,782,000)
Noncontrolling interests' share in net (income) loss	(102,000)	(19,000)
Net income (loss) applicable to common stockholders	$ 27,106,000	$ (24,801,000)
Earnings per common share:		
Basic:		
Net income (loss) applicable to common stockholders	$ 1.18	$ (1.08)
Diluted		
Net income (loss) applicable to common stockholders	$ 1.18	$ (1.08)
Weighted average shares used to calculate earnings per common share:		
Basic	23,027,978	23,027,978
Diluted	23,067,460	23,027,978

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

SUMMIT HEALTHCARE REIT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)

For the Years Ended December 31, 2024 and 2023

	Common Stock						
	Number of Shares	Common Stock Par Value	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity	Noncontrolling Interests	Total Equity (Deficit)
Balance — January 1, 2023	**23,027,978**	**$ 23,000**	**$ 116,432,000**	**$ (93,734,000)**	**$ 22,721,000**	**$ 177,000**	**$ 22,898,000**
Stock-based compensation	—	—	41,000	—	41,000	—	41,000
Distributions paid to noncontrolling interests	—	—	—	—	—	(74,000)	(74,000)
Net (loss) income	—	—	—	(24,801,000)	(24,801,000)	19,000	(24,782,000)
Balance — December 31, 2023	**23,027,978**	**23,000**	**116,473,000**	**(118,535,000)**	**(2,039,000)**	**122,000**	**(1,917,000)**
Stock-based compensation	—	—	47,000	—	47,000	—	47,000
Distributions paid to noncontrolling interests	—	—	—	—	—	(81,000)	(81,000)
Net income	—	—	—	27,106,000	27,106,000	102,000	27,208,000
Balance — December 31, 2024	**23,027,978**	**$ 23,000**	**$ 116,520,000**	**$ (91,429,000)**	**$ 25,114,000**	**$ 143,000**	**$ 25,257,000**

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

SUMMIT HEALTHCARE REIT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2024 and 2023

		2024		2023
Cash flows from operating activities:				
Net income (loss)	$	27,208,000	$	(24,782,000)
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Amortization of debt issuance costs		259,000		914,000
Depreciation and amortization		2,716,000		7,063,000
Amortization of above-market lease intangible		42,000		59,000
Straight-line rents		(196,000)		(1,282,000)
Write off of straight-line rent receivables		—		3,749,000
Stock-based compensation expense		47,000		41,000
Write off of leasing commissions		—		255,000
Write off of deferred financing costs		—		176,000
Impairment of real estate properties and intangible assets		—		11,387,000
Gain on consolidation of interest in unconsolidated equity-method investment		—		(1,066,000)
Gain on sale of real estate properties		(11,151,000)		—
Gain on derecognition and disposal of assets associated with GA8 Properties		(30,681,000)		—
(Income) loss from equity-method investees		(2,887,000)		754,000
Change in operating assets and liabilities, net of consolidated interest in unconsolidated equity-method investment and derecognition of assets:				
Tenant and other receivables, net		3,270,000		816,000
Other assets, net		207,000		126,000
Accounts payable and accrued liabilities		8,583,000		2,141,000
Security deposits		(109,000)		(946,000)
Net cash used in operating activities		(2,692,000)		(595,000)
Cash flows from investing activities:				
Proceeds from sale of real estate properties assigned		—		3,839,000
Cash assumed in consolidation of interest in unconsolidated equity-method investment		—		770,000
Proceeds from sale of real estate properties, net of cash		27,906,000		—
Change in cash associated with the derecognition of assets associated with GA8 Properties		4,286,000		—
Additions to real estate and other assets		(268,000)		(318,000)
Investments in equity-method investees		(29,000)		(370,000)
Distributions received from equity-method investees		2,711,000		1,093,000
Net cash provided by investing activities		34,606,000		5,014,000
Cash flows from financing activities:				
Payments of loans payable		(3,077,000)		(1,154,000)
Repayment of loan payable assigned		—		(3,171,000)
Repayment of loan payable related to sale of real estate properties		(15,000,000)		—
Distributions paid to noncontrolling interests		(81,000)		(74,000)
Net cash used in financing activities		(18,158,000)		(4,399,000)
Net increase in cash, cash equivalents and restricted cash		13,756,000		20,000
Cash, cash equivalents and restricted cash — beginning of year		14,183,000		14,163,000
Cash, cash equivalents and restricted cash – end of year	$	27,939,000	$	14,183,000
Supplemental disclosure of cash flow information:				
Cash paid for interest:	$	10,798,000	$	15,753,000
Supplemental disclosure of non-cash financing and investing activities:				
Consolidation of assets, net, in connection with our acquisition of partner’s interest in unconsolidated equity-method investment	$	—	$	313,000
Derecognition of assets associated with GA8 Properties (Note 14):				
Real estate properties, net	$	97,637,000	$	—
Intangible lease assets, net	$	10,250,000	$	—
Other assets	$	12,000	$	—
Accounts payable and accrued liabilities	$	(751,000)	$	—
Write off of deferred financing costs	$	790,000	$	—
Security deposits	$	(2,589,000)	$	—
Release of loans payable associated with GA8 Properties	$	(121,870,000)	$	—
Release of interest payable associated with GA8 Properties	$	(9,872,000)	$	—

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

SUMMIT HEALTHCARE REIT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2024 and 2023

1. Organization

Summit Healthcare REIT, Inc. ("Summit") is a real estate investment trust that, as of December 31,2024, owns 100% of three properties, 95.3% of four properties, and three unconsolidated equity-method investments with interests ranging from 10% - 20% that hold an aggregate of 17 properties. Summit is a Maryland corporation, formed in 2004 under the General Corporation Law of Maryland for the purpose of investing in and owning real estate. As used in these notes, the "Company", "we", "us" and "our" refer to Summit and its consolidated subsidiaries, including Summit Healthcare Operating Partnership, L.P. (the "Operating Partnership"), except where the context otherwise requires.

We conduct substantially all of our operations through the Operating Partnership, which is a Delaware limited partnership. We own a 99.88% general partner interest in the Operating Partnership, and Cornerstone Realty Advisors, LLC ("CRA"), a former affiliate, owns a 0.12% limited partnership interest.

Summit and the Operating Partnership are managed and operated as one entity, and Summit has no significant assets other than its investment in the Operating Partnership. Summit, as the general partner of the Operating Partnership, controls the Operating Partnership and consolidates the assets, liabilities, and results of operations of the Operating Partnership.

Cornerstone Healthcare Partners LLC – Consolidated Joint Venture

We own 95 % of Cornerstone Healthcare Partners LLC ("CHP LLC"), which was formed in 2012, and the remaining 5% noncontrolling interest is owned by Cornerstone Healthcare Real Estate Fund, Inc. ("CHREF"), an affiliate of CRA. CHP LLC is consolidated within our financial statements and owns four properties (the "JV Properties") with another partially owned subsidiary.

As of December 31, 2024 and 2023, we own a 95.3% interest in the four JV Properties, and CHREF owns a 4.7% interest.

Summit Union Life Holdings, LLC – Equity-Method Investment

In April 2015, through our Operating Partnership, we entered into a limited liability company agreement with Best Years, LLC ("Best Years"), an unrelated entity and a U.S.-based affiliate of Union Life Insurance Co, Ltd. (a Chinese corporation), and formed Summit Union Life Holdings, LLC (the "SUL JV"). The SUL JV is not consolidated in our consolidated financial statements and is accounted for under the equity-method in our consolidated financial statements. As of December 31, 2024, we have a 10% interest in the SUL JV which owns nine properties and, as of December 31, 2023, owned 15 properties. See Note 5 for further information.

Summit Fantasia Holdings II, LLC – Equity-Method Investment

In December 2016, through our Operating Partnership, we entered into a limited liability company agreement (the "Fantasia II LLC Agreement") with Fantasia Investment III LLC ("Fantasia"), an unrelated entity and a U.S.-based affiliate of Fantasia Holdings Group Co., Limited (a Chinese corporation listed on the Stock Exchange of Hong Kong (HKEX)), and formed Summit Fantasia Holdings II, LLC (the "Fantasia II JV"). The Fantasia II JV is not consolidated in our consolidated financial statements and is accounted for under the equity-method in our consolidated financial statements. As of December 31, 2024 and 2023, we have a 20% interest in the Fantasia II JV which owns two properties. See Note 5 for further information.

Summit Fantasia Holdings III, LLC - Equity-Method Investment

In July 2017, through our Operating Partnership, we entered into a limited liability company agreement with Fantasia and formed Summit Fantasia Holdings III, LLC (the "Fantasia III JV"). In May 2024, the Fantasia III JV sold their eight properties for $60.0 million. We received approximately $2.1 million in cash from the sale resulting in the winding-up of our equity-method investment and as such, as of May 2, 2024, we no longer have an equity-method investment in the Fantasia III JV. The Fantasia III JV was not consolidated in our consolidated financial statements and was accounted for under the equity-method in our consolidated financial statements. As of December 31, 2023, we had a 10% interest in the Fantasia III JV which owned eight properties. See Note 5 for further information.

Summit Fantasy Pearl Holdings, LLC – Equity-Method Investment

In October 2017, through our Operating Partnership, we entered into a limited liability company agreement with Fantasia, Atlantis Senior Living 9, LLC, a Delaware limited liability company ("Atlantis"), and Fantasy Pearl LLC, a Delaware limited liability company ("Fantasy"), and formed Summit Fantasy Pearl Holdings, LLC (the "FPH JV"). The FPH JV is not consolidated in our consolidated financial statements and is accounted for under the equity-method in our consolidated financial statements. As of December 31, 2024 and 2023, we have a 10% interest in the FPH JV which owns six properties. See Note 5 for further information.

Taxable REIT Subsidiaries

Summit Healthcare Asset Management, LLC

Summit Healthcare Asset Management, LLC ("SAM TRS") is our wholly-owned taxable REIT subsidiary ("TRS"). We serve as the manager of the SUL JV, Fantasia I JV (through July 2023 when it became our consolidated wholly owned subsidiary), Fantasia II JV, Fantasia III JV (through May 2024 when all of its properties were sold), and FPH JV (collectively, our "Equity-Method Investments"), and provide management services in exchange for fees and reimbursements. All asset management fees earned by us are paid to SAM TRS and expenses incurred by us, as the manager, are reimbursed from SAM TRS. See Notes 5 and 7 for further information.

SHOP TRS LLC

SHOP TRS LLC ("SHOP TRS") is our wholly-owned taxable REIT subsidiary that is the sole member for two of our real estate properties that no longer have a lease with an unrelated tenant. Each of these properties are leased to an affiliated subsidiary, Pennington Gardens Operations LLC ("Pennington Gardens") beginning in February 2022 and Sundial Operations LLC ("Sundial") beginning in June 2022, (collectively, the "Operated Properties"), which are operated directly and earn resident fees and service revenue and the operations are consolidated in our financial statements.

2. Summary of Significant Accounting Policies

The summary of significant accounting policies presented below conform to accounting principles generally accepted in the United States of America, or GAAP, in all material respects, and have been consistently applied in preparing the accompanying consolidated financial statements.

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, the Operating Partnership, and its consolidated companies and are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

All intercompany accounts and transactions have been eliminated in consolidation.

Accounting Standard Codification ("ASC") 810, *Consolidation,* addresses how a business enterprise should evaluate whether it has a controlling interest in an entity through means other than voting rights and accordingly should consolidate the entity. Before concluding that it is appropriate to apply the voting interest consolidation model to an entity, an enterprise must first determine that the entity is not a variable interest entity. We evaluate, as appropriate, our interests, if any, in joint ventures and other arrangements to determine if consolidation is appropriate.

Variable Interest Entities

We analyze our contractual and/or other interests to determine whether such interests constitute an interest in a variable interest entity (VIE) in accordance with ASC 810, *Consolidation*, and, if so, whether we are the primary beneficiary. If we are determined to be the primary beneficiary of a VIE, we must consolidate the VIE. A VIE is broadly defined 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; and (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. In determining whether we are the primary beneficiary, we consider, among other things, whether we have the power to direct the activities of the VIE that most significantly impact the entity's economic performance, including, but not limited to, determining or limiting the scope or purpose of the VIE, selling or transferring property owned or controlled by the VIE, or arranging financing for the VIE. We also consider whether we have the obligation to absorb losses of the VIE or the right to receive benefits from the VIE. We evaluated our wholly and partially-owned subsidiaries, the Operating Partnership and CHP, LLC and equity method investments to determine if they are a VIE, and if such VIE should be consolidated. The Operating Partnership and CHP, LLC are consolidated as the Company is deemed the primary beneficiary. Our Operating Partnership's equity investment in SUL JV, Fantasia I JV (through July 2023 when it became our wholly owned subsidiary), Fantasia II JV, Fantasia III JV (through May 2024 when all of its property holdings were sold), and FPH JV met the definition and criteria of VIEs. However, as we do not have power to direct the activities that most significantly impact economic performance of these VIEs, they are accounted for under the equity method of accounting and are reflected as Equity-Method Investments.

Use of Estimates

The preparation of our consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. We base these estimates on various assumptions that we believe to be reasonable under the circumstances, and these estimates form the basis for our judgments concerning the carrying values of assets and liabilities that are not readily apparent from other sources. We periodically evaluate these estimates and judgments based on available information and experience. Actual results could differ from our estimates under different assumptions and conditions. If actual results significantly differ from our estimates, our financial condition and results of operations could be materially impacted. The most significant estimates made include that of real estate acquisition valuation and the allocation of property purchase price to tangible and intangible assets acquired and liabilities assumed at relative fair value, the evaluation of potential impairment of long-lived assets and equity method investments, and the estimated useful lives of real estate assets and intangibles.

Cash and Cash Equivalents

We consider all short-term, highly liquid investments that are readily convertible to cash with a maturity of three months or less at the time of purchase to be cash equivalents. As of December 31, 2024, we had cash accounts in excess of FDIC-insured limits. To date, the Company has not experienced losses or lack of access to cash in its cash and cash equivalent accounts.

Restricted Cash

Restricted cash represents restricted cash held by our lenders in interest bearing accounts related to impound reserve accounts for property taxes, insurance and capital funds as required under the terms of the loan agreements.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown on the consolidated statements of cash flows:

	December 31, 2024	December 31, 2023
Cash and cash equivalents	$ 25,195,000	$ 10,997,000
Restricted cash	2,744,000	3,186,000
Total cash, cash equivalents, and restricted cash shown on the consolidated statements of cash flows	$ 27,939,000	$ 14,183,000

Investments in Real Estate and Depreciation

We allocate the purchase price of our properties in accordance with ASC 805 – Business Combinations. If the acquisition does not meet the definition of a business, we record the acquisition as an asset acquisition. For transactions that are business combinations, acquisition costs are expensed as incurred. For transactions that are an asset acquisition, acquisition costs are capitalized as incurred. Upon an asset acquisition of a property, we allocate the purchase price of the property based upon the relative fair value of the tangible and intangible assets acquired and liabilities assumed, which generally consists of land, buildings, site improvements, furniture and fixtures and intangible assets. The determination of fair value involves the use of significant judgment and estimation. We value land based on various inputs, which may include internal analysis of recently acquired properties, existing comparable properties within our portfolio, or third party appraisals or valuations based on comparable sales. We allocate the purchase price to tangible assets of an acquired property by valuing the property as if it were vacant.

We are required to make subjective assessments as to the estimated useful lives of our depreciable assets. We consider the period of future benefit of the assets to determine the appropriate estimated useful lives. Depreciation of our assets is being charged to expense on a straight-line basis over the estimated useful lives. We depreciate the fair value allocated to building and improvements over estimated useful lives ranging from 15 to 39 years.

We estimate the value of furniture and fixtures based on the assets' depreciated replacement cost. We depreciate the fair value allocated to furniture and fixtures over estimated useful lives ranging from three to six years.

In allocating the purchase price to identified intangible assets and liabilities of an acquired property, the value of above/below-market leases and in-place leases are estimated as follows:

The value of above/below market leases is based on the differences between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) estimated fair market lease rates from the perspective of a market participant for the corresponding in-place leases, measured, for above-market leases, over a period equal to the remaining non-cancelable term of the lease and, for below-market leases, over a period equal to the initial term plus any below market fixed rate renewal periods. The above/below market leases are amortized as an adjustment to rental revenue over the remaining term of the respective leases.

The value of in-place leases consisting of tenant origination and absorption costs and leasing commissions avoided is based on the Company's evaluation of the specific characteristics of each tenant's lease. Factors considered include estimates of carrying costs during expected lease-up periods, current market conditions, discount rates, and costs to execute similar leases. The value of in-place leases are amortized over the remaining term of the respective leases and included in depreciation and amortization in the consolidated statements of operations. If a tenant vacates its space prior to its contractual expiration date, any unamortized balance of the related intangible asset is recorded in the consolidated statements of operations.

Held for Sale

We consider properties to be assets held for sale when (1) management commits to a plan to sell the property, (2) it is unlikely that the disposal plan will be significantly modified or discontinued; (3) the property is available for immediate sale in its present condition; (4) actions required to complete the sale of the property have been initiated; (5) sale of the property is probable and we anticipate the completed sale will occur within one year; and (6) the property is actively being marketed for sale at a price that is reasonable given our estimate of current market value. Upon designation of a property as an asset held for sale, we record the property's value at the lower of its carrying value or its estimated fair value, less estimated transaction costs. Depreciation and amortization of the property are discontinued. If a property subsequently no longer meets the criteria to be classified as held for sale, it is reclassified as held and used and measured at the lower of i) its original carrying amount before the asset was classified as held for sale, adjusted for any depreciation expense not recognized while it was classified as held for sale, and ii) its fair value.

Impairment of Real Estate Properties and Related Intangible Lease Assets

We evaluate the recoverability of the carrying value of our real estate properties and related intangible lease assets on a property-by-property basis. We review our real estate properties and related intangible lease assets for recoverability when events or circumstances, including changes in the Company's use of property or the strategy for its overall business, plans to sell a property before its depreciable life has ended, occupancy changes, significant near-term lease expirations, significant deteriorations of the underlying cash flows of the property, and other market factors indicate that the carrying amount of the property may not be recoverable. Impairment is measured as the amount by which the carrying amount of the real estate properties and related intangible lease assets exceeds the fair value of the property.

During 2023, we recorded an impairment of $11.4 million ($10.3 million for real estate properties and $1.1 million for intangible lease assets) related to eight real estate properties and related intangible lease assets, which is included in impairment of real estate properties and intangible assets in the consolidated statements of operations for the year ended December 31, 2023. The impairment was recorded due to the tenants experiencing issues affecting their ability to continue to pay their full lease obligations. We utilized a market approach for the fair value estimate of the real estate properties and based our impairment on an estimated yield of 10.8%. We considered these inputs as Level 3 measurements within the fair value hierarchy. We did not record any impairments during the year ended December 31, 2024.

Fair Value Measurements

Fair value represents the estimate of the proceeds to be received, or paid in the case of a liability, in a current transaction between willing parties. ASC 820, *Fair Value Measurement,* establishes a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value. Inputs are either observable or unobservable in the marketplace. Observable inputs are based on market data from independent sources and unobservable inputs reflect the reporting entity's assumptions about market participant assumptions used to value an asset or liability.

Financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1. Quoted prices in active markets for identical instruments.

Level 2. Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3. Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities measured at fair value are classified according to the lowest level input that is significant to their valuation. A financial instrument that has a significant unobservable input along with significant observable inputs may still be classified as a Level 3 instrument.

We generally determine or calculate the fair value of financial instruments using quoted market prices in active markets when such information is available or use appropriate present value or other valuation techniques, such as discounted cash flow analyses, incorporating available market discount rate information for similar types of instruments and our estimates for non-performance and liquidity risk. These techniques are significantly affected by the assumptions used, including the discount rate, credit spreads, and estimates of future cash flow.

As of and for the year ended December 31, 2023, our equity method investment in the Fantasia II JV was measured at fair value, on a nonrecurring basis using unobservable (level 3) inputs. We estimated the fair value of our equity-method investments based on discounted future cash flows. As a result, for the year ended December 31, 2023, we recognized an impairment loss of $0.5 million (see Note 5). We did not record any impairments in our Equity-Method Investments for the year ended December 31, 2024.

See above under Impairment of Real Estate Properties for further information.

Fair Value Measurement of Financial Instruments

Our consolidated balance sheets include the following financial instruments: cash and cash equivalents, restricted cash, tenant and other receivables, certain other assets, accounts payable and accrued liabilities, security deposits and loans payable. With the exception of the loans payable discussed below, we consider the carrying values to approximate fair value for such financial instruments because of the short period of time between origination of the instruments and their expected payment. These are considered a Level I inputs.

As of December 31, 2024 and 2023, the fair value of our fixed rate U.S. Department of Housing and Urban Development ("HUD")-insured loans payable was $37.3 million and $36.4 million, compared to the principal balance (excluding debt issuance costs) of $42.7 million and $43.9 million, respectively. The fair value of loans payable was estimated using lending rates available to us for financial instruments with similar terms and maturities. The fair value of our fixed and variable rate loans payable was estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. As the inputs to our valuation estimate are neither observable in nor supported by market activity, our loans payable are classified as Level 3 liability within the fair value hierarchy. At December 31, 2024 and 2023, we do not have any significant financial assets or financial liabilities that are measured at fair value on a recurring basis in our consolidated financial statements.

Tenant and Other Receivables

Tenant and other receivables are comprised mainly of the cumulative amount of future adjustments necessary to present tenant rental income on a straight-line basis, accounts receivable due from residents for our Operated Properties, asset management fees and distributions receivable.

Allowance for Credit Losses

The allowance for credit losses is maintained on all receivables except for lease receivables and is maintained at a level believed adequate to absorb potential losses in our receivables. The determination of the credit allowance is based on a quarterly evaluation of each of these receivables, including general economic conditions and estimated collectability. We evaluate the collectability of our receivables based on a combination of credit quality indicators, including, but not limited to, payment status, historical charge-offs, and financial strength of the equity method investment. A receivable is considered to have deteriorated in credit quality when, based on current information and events, it is probable that we will be unable to collect all amounts due. As of December 31, 2024 and 2023, the allowance for credit losses is immaterial.

Deferred Financing Costs

Costs incurred with potential financing arrangements are recorded as deferred financing costs. Costs incurred in connection with completed debt financing are recorded as debt issuance costs. Debt issuance costs are amortized using the straight-line basis which approximates the effective interest rate method, over the contractual terms of the respective financings, and are presented net of loans payable in loans payable, net of debt issuance costs, in the consolidated balance sheets. Costs incurred in connection with an unexercised debt financing are recorded as expense when financing is no longer deemed probable. For the year ended December 31, 2023, we recorded approximately $0.7 million in property operating costs in the consolidated statements of operations for deferred financing costs associated with a terminated refinancing related to the CA3 Properties.

Other Assets

Other assets consist primarily of deferred financing costs, deposits, prepaid insurance, property taxes and other and corporate assets. Additionally, other assets will be amortized to expense over their future service periods. Balances without future economic benefit are expensed as they are identified.

Equity-Method Investments

We report our investments in unconsolidated entities, over whose operating and financial policies we have the ability to exercise significant influence but not control, under the equity method of accounting. Under this method of accounting, our pro rata share of the applicable entity's earnings or losses is included in our consolidated statements of operations. We initially record our investments based on either the carrying value for properties contributed or the cash invested.

We evaluate our Equity-Method Investments for impairment whenever events or changes in circumstances indicate that the carrying value of our investments may exceed the fair value. If it is determined that a decline in the fair value of our investments is not temporary, and if such reduced fair value is below its carrying value, an impairment is recorded. Determining fair value involves significant judgment. Our estimates consider available evidence including the present value of the expected future cash flows discounted at market rates, general economic conditions and other relevant factors. For the year ended December 31, 2023, we recorded impairment of approximately $0.5 million related to our equity-method investments. See Note 5 for further information. For the year ended December 31, 2024, we did not record any impairments related to our equity-method investments.

Rental Revenue

We recognize rental revenue based on ASC 842, *Leases* ("Topic 842"). This requires a lessor to classify leases as either sales-types, finance or operating leases. A lease will be treated as a sales-type lease if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing lease. If the lessor does not convey risks and rewards or control, an operating lease results. After evaluating our tenant leases, we have concluded that these are operating leases. Additionally, as lessors we elected to not separate lease and nonlease components in a contract for the purpose of revenue recognition and disclosure.

Additionally, where real estate taxes and insurance expenses were paid directly by our tenants to taxing authorities or insurance companies, respectively, we do not record any revenue or expense. For our triple-net leasing arrangements in which the tenant remits payment for certain costs to us and we pay the vendor, we have reported the gross amounts in total rental revenues and property operating costs on the consolidated statements of operations.

Additionally, under Topic 842, we must assess if substantially all payments due under the lease are likely to be collected. If tenant lease payments are not likely to be collected, then the revenues will be recognized on a cash basis (or if the circumstances change at a later date, the revenues are adjusted to reflect what it would have been on a cash basis) and the adjustments will be recorded through rental revenues, rather than bad debt expense.

Resident Fees and Services Revenue

We recognize resident fees and services revenue for the Operated Properties at the amount that we expect to be entitled to in exchange for providing resident care and services. Resident fees are recognized and billed monthly based on the contracted rate in the resident lease agreements and the reimbursements from Medicaid are based on contracted reimbursement rates. These amounts are paid directly from the residents and/or third-party payors (currently only Medicaid). Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by us. The majority of resident fees and services is attributable to the portion of the base monthly lease fee in the resident lease agreement. The Company recognizes the resident fee revenue based upon the predominant component, either the lease or non-lease component, of the contracts. The Company has determined that the lease component is the predominant component and the services included under the resident agreements have the same timing and pattern of transfer and are performance obligations that are satisfied over time. Resident services consist of care level services and certain other ancillary services (i.e., housekeeping, laundry, etc.). These services are provided and paid for in addition to the standard fees included in each resident lease (i.e., room and board, standard meals, etc.).

Asset Management Fees

We record asset management fee revenue based on ASC 606, *Revenue from Contracts with Customers (Topic 606)*. We earn our asset management fees based on a percentage of the purchase price or equity raised. As the manager, our duty is to manage the day-to-day operations of the special-purpose entities which own the properties. Asset management fees are recognized as a single performance obligation (managing the properties) comprised of a series of distinct services (handling issues with the tenants, etc.). We believe that the overall service of asset management is substantially the same each day and has the same pattern of performance over the term of the agreement. As a result, each day of service represents a performance obligation satisfied at that point in time. These fees are recognized at the end of each period for services performed during that period, billed monthly and paid quarterly.

Stock-Based Compensation

We record stock-based compensation expense for share-based payments to employees and directors, including grants of stock options based on the estimated fair value of the options on the date of grant using the Black-Scholes option-pricing model. Compensation expense is recognized ratably over the vesting term and is included in general and administrative expense in our consolidated statements of operations. Forfeitures are recognized as they occur. See Note 12 for further information.

Noncontrolling Interest in Consolidated Subsidiary

Noncontrolling interest relates to the interest in the consolidated entities that are not wholly-owned by us. As of December 31, 2024 and 2023, the noncontrolling interest mainly relates to CHP, LLC.

ASC 810-10-65, *Consolidation*, clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. ASC 810-10-65 also requires consolidated net income/loss to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest and requires disclosure, on the face of the consolidated statements of operations, of the amounts of consolidated net income/loss attributable to the parent and to the noncontrolling interest.

We periodically evaluate individual noncontrolling interests for the ability to continue to recognize the noncontrolling interest as permanent equity in the consolidated balance sheets. Any noncontrolling interest that fails to qualify as permanent equity will be reclassified as temporary equity and adjusted to the greater of (a) the carrying amount, or (b) its redemption value as of the end of the period in which the determination is made.

Income Taxes

We have elected to be taxed as a REIT, under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the “Code”) beginning with our taxable year ending December 31, 2006. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to currently distribute at least 90% of the REIT’s ordinary taxable income to stockholders. As a REIT, we generally will not be subject to federal income tax on taxable income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will then be subject to federal income taxes on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost unless the Internal Revenue Service were to grant us relief under certain statutory provisions. Such an event could materially and adversely affect our net income/loss and net cash available for distribution to stockholders. However, we believe that we will be organized and operate in such a manner as to qualify for treatment as a REIT and intend to operate for the foreseeable future in such a manner so that we will remain qualified as a REIT for federal income tax purposes. Given the applicable statute of limitations, we generally are subject to audit by the Internal Revenue Service ("IRS") for the year ended December 31, 2021 and subsequent years, and state income tax returns are subject to audit for the year ended December 31, 2020 and subsequent years.

We have elected to treat SAM TRS and SHOP TRS as taxable REIT subsidiaries (collectively, the "TRS Subsidiaries"), which generally may engage in any business, including the provision of customary or non-customary services for our tenants. The TRS Subsidiaries are treated as a regular corporation and are subject to federal income tax and applicable state income and franchise taxes at regular corporate rates. As of December 31, 2024 and 2023, respectively, the TRS Subsidiaries have net deferred tax assets, related primarily to their net operating losses (collectively "NOL"), of approximately $1.4 million and $1.1 million, for which there is a full valuation allowance recorded.

The Company regularly assesses the ability to realize deferred tax assets recorded based upon the weight of available evidence, including such factors as recent earnings history and expected future taxable income on a jurisdiction-by-jurisdiction basis. If the Company changes its determination as to the amount of realizable deferred tax assets, the Company will adjust its valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made. The Company's management believes that, based on a number of factors, it is more likely than not, that all or some portion of the deferred tax assets will not be realized; and accordingly, for the year ended December 31, 2024, the Company continues to provide a full valuation allowance against the TRS Subsidiaries net deferred tax assets.

The net change in the valuation allowance for the year ended December 31, 2024 was an increase of $0.3 million. As of December 31, 2024, the TRS Subsidiaries have NOL carryforwards for federal income tax purposes of approximately $5.1 million that will begin to expire in 2035 with approximately $3.3 million of the federal net operating loss carryforward lasting indefinitely. As of December 31, 2024, the TRS Subsidiaries had net operating loss carryforwards for state income tax purposes of approximately $4.2 million that will begin to expire at various dates beginning in 2035.

Uncertain Tax Positions

In accordance with the requirements of ASC 740, *Income Taxes,* favorable tax positions are included in the calculation of tax liabilities if it is more likely than not that our adopted tax position will prevail if challenged by tax authorities. As a result of our REIT status, we are able to claim a dividends-paid deduction on our tax return to deduct the full amount of common dividends paid to stockholders when computing our annual taxable income, which results in our taxable income being passed through to our stockholders. A REIT is subject to a 100% tax on the net income from prohibited transactions. A "prohibited transaction" is the sale or other disposition of property held primarily for sale to customers in the ordinary course of a trade or business. There is a safe harbor provision which, if met, expressly prevents the IRS from asserting the prohibited transaction test. We have no income tax expense, deferred tax assets or deferred tax liabilities associated with any such uncertain tax positions for the operations of any entity included in the consolidated results of operations. We classify interest and penalties related to uncertain tax positions, if any, in our consolidated financial statements as a component of general and administrative expense.

Basic and Diluted Net Income (Loss) and Distributions per Common Share

Basic earnings per share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income (loss) by the weighted-average number of common shares and dilutive potential common shares outstanding during the period. Dilutive potential common shares are calculated in accordance with the treasury stock method. See Note 15.

Recent Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." This ASU enhances reportable segment disclosures on both an annual and interim basis primarily in regard to the disclosure of significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within the reported measure(s) of segment profit or loss. In addition, the ASU requires disclosure, by segment, of other items included in the reported measure(s) of segment profit or loss, including qualitative information describing the composition, nature and type of each item. The ASU also expands disclosure requirements related to the CODM, including how the reported measure(s) of segment profit or loss are used to assess segment performance and allocate resources, the method used to allocate overhead for significant segment expenses and others. Lastly, all previously required annual segment reporting disclosures under Topic 280 will also be required for interim periods. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company adopted this ASU for the year ended December 31, 2024 and the adoption did not have a material impact on the consolidated financial statements. See Note 13.

In November 2024, the FASB issued ASU 2024-03, Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Topic 220): Disaggregation of Income Statement Expenses. This guidance requires additional disclosure of certain amounts included in the expense captions presented on the statement of operations as well as disclosures about selling expenses. The ASU is effective on a prospective basis, with the option for retrospective application, for annual periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027. Early adoption is permitted for annual financial statements that have not yet been issued. The Company is evaluating the impact of adopting this ASU.

Reclassifications

One line item on the December 31, 2023 consolidated statement of operations for interest expense for the year ended December 31, 2023 has been reclassified to conform to the current period presentation. See Note 14.

3. Investments in Real Estate Properties

The table below includes, as of December 31, 2024, seven real estate properties held by our consolidated subsidiaries, five of which are 100% leased to the tenants of the related facilities and two are each 100% leased to an affiliated subsidiary. See below for further information regarding the sale of three properties and the transfer of ownership of eight properties in 2024. The table below includes, as of December 31, 2023, 18 real estate properties held by our consolidated subsidiaries, 16 of which were 100% leased to the tenants of the related facilities and two were each 100% leased to an affiliated subsidiary. As of December 31, 2024 and 2023, the table excludes the 17 and 31 properties, respectively, owned by our unconsolidated Equity-Method Investments.

	December 31, 2024	December 31, 2023
Land	$ 6,237,000	$ 14,905,000
Buildings and improvements	48,628,000	157,875,000
Less: accumulated depreciation	(15,082,000)	(20,439,000)
Buildings and improvements, net	33,546,000	137,436,000
Furniture and fixtures	4,534,000	12,106,000
Less: accumulated depreciation	(4,378,000)	(7,481,000)
Furniture and fixtures, net	156,000	4,625,000
Real estate properties, net	$ 39,939,000	$ 156,966,000

Depreciation and amortization expense (excluding intangible lease amortization and leasing commission amortization) for the years ended December 31, 2024 and 2023 was approximately $2.5 million and $6.1 million, respectively.

The following table provides summary information regarding our seven real estate properties held by our consolidated subsidiaries (excluding the 17 properties owned by our unconsolidated Equity-Method Investments) as of December 31, 2024:

Property	Location	Date Purchased	Type[(1)]	Purchase Price	Loans Payable, Excluding Debt Issuance Costs
Sheridan Care Center	Sheridan, OR	August 3, 2012	SNF	$ 4,100,000	$ 3,649,000
Fernhill Care Center	Portland, OR	August 3, 2012	SNF	4,500,000	3,201,000
Friendship Haven Healthcare and Rehabilitation Center	Galveston County, TX	September 14, 2012	SNF	15,000,000	10,885,000
Pacific Health and Rehabilitation Center	Tigard, OR	December 24, 2012	SNF	8,140,000	5,336,000
Brookstone of Aledo	Aledo, IL	July 2, 2013	AL	8,625,000	6,318,000
Sundial Assisted Living	Redding, CA	December 18, 2013	AL	3,500,000	3,566,000
Pennington Gardens	Chandler, AZ	July 17, 2017	AL/MC	13,400,000	9,708,000
Total:				$ 57,265,000	$ 42,663,000

(1) SNF is an abbreviation for skilled nursing facility.
AL is an abbreviation for assisted living facility.
MC is an abbreviation for memory care facility.

GA8 Properties

In 2021, through our wholly-owned subsidiary and the parent holding company for the GA8 Properties, Summit Georgia Holdings LLC ("GA Holdco"), we acquired eight skilled nursing facilities located in Georgia (collectively, the "GA8 Properties"). In March 2024, we derecognized the eight properties and in December 2024, transferred ownership and were released from all obligations (see Note 14 for further information). During the fourth quarter of 2023, we wrote off the straight-line rent receivable of approximately $2.4 million (which is included in rental revenues in our consolidated statements of operations for the year ended December 31, 2023) due to the tenants experiencing issues affecting their ability to continue to pay their full lease obligations. See Notes 4 and 14 for further information.

Sale of CA3 Properties

In 2021, we acquired three properties located in California ("CA3 Properties") and we entered into a first priority $15.0 million mortgage loan collateralized by the CA3 Properties with CIBC Bank, USA ("CIBC"). On September 6, 2024, we completed the sale of the CA3 Properties for an aggregate sales price of $30.0 million. The net cash proceeds we received following the closing of the CA3 Properties was approximately $14.9 million after the payoff of the outstanding $15.0 million loan payable from CIBC Bank, USA, and less the expenses and fees incurred with the sale. We recorded a gain on the sale of approximately $11.2 million, which is recorded in gain on sale of real estate properties in the consolidated statements of operations, and wrote off real estate properties of approximately $18.3 million.

The results of operations, included in our consolidated statements of operations for the period from January 1, 2024 through September 6, 2024, the date of the sale, and for the year ended December 31, 2023, are as follows:

	September 6, 2024	December 31, 2023
Condensed Combined Statements of Operations for CA3:		
Total rental revenue	$ 1,474,000	$ 2,123,000
Property operating costs	$ 157,000	$ 963,000
Depreciation and amortization	$ 355,000	$ 488,000
Interest expense	$ 978,000	$ 1,383,000

Fantasia I JV Transfer of Interest and Sale

On July 3, 2023, the majority member of the Fantasia I JV assigned its 65% interest, for no consideration, to Summit. Prior to the assignment, the Fantasia I JV was considered an equity method investment and the consolidation of the entity resulted in a gain of approximately $1.1 million, which is recorded in gain on consolidation of interest in unconsolidated equity-method investment in the consolidated statements of operations. Additionally, on September 29, 2023, we sold the real estate of Summit Citrus Heights, including the Sun Oak facility for net cash of approximately $0.6 million (which consists of the $3.8 million sale price and the payoff of the loan payable of approximately $3.2 million) and recorded a loss of approximately $0.01 million, which is recorded in gain on consolidation of interest in unconsolidated equity-method investment in the consolidated statements of operations. As such, as of July 2023, Summit owned 100% of Fantasia I JV. The Fantasia I JV consisted of the real estate of Summit Citrus Heights, LLC, a wholly-owned subsidiary ("Summit Citrus Heights") and the operating assets and liabilities of its associated senior housing facility, Sun Oak Assisted Living ("Sun Oak" or "CH TRS"). Summit Citrus Heights was the sole member of CH TRS LLC, the operating company for Sun Oak. On September 29, 2023, we sold the real estate of Summit Citrus Heights, including the Sun Oak facility.

Tenant/Operator Changes

In September 2023, three of our majority-owned properties and their related facilities, Rivers Edge Rehabilitation and Care (f.k.a. Sheridan Care Center), Fernhill Care Center, and Pacific Health and Rehabilitation Center, replaced the tenant/operator. The previous tenant requested the lease be terminated and on September 1, 2023, HUD approved the change. As a result of the lease termination, we wrote off the straight-line rent receivable of approximately $1.3 million, which is included in total rental revenues in our consolidated statements of operations, wrote off leasing commissions of approximately $0.3 million, which is included in depreciation and amortization in our consolidated statements of operations, and recognized income from retained security deposits of approximately $0.4 million, which is included in total rental revenue in our consolidated statements of operations. The new tenant leases are structured under a master lease at the same lease rates for a 10-year term through August 2033, with two five-year renewal options.

Future Minimum Lease Payments

The future minimum lease payments to be received under existing tenant operating leases (excluding the 17 properties owned by our unconsolidated Equity-Method Investments and the two intercompany leases for the Operated Properties as well as their related resident fees and services) for our consolidated properties as of December 31, 2024 are as follows:

Years ending December 31,	
2025	$ 4,437,000
2026	4,525,000
2027	4,616,000
2028	3,140,000
2029	3,202,000
Thereafter	9,572,000
	$ 29,492,000

There were no acquisitions in the years ended December 31, 2024 and 2023.

4. Loans Payable

As of December 31, 2024 and 2023, loans payable consisted of the following (see below under GA8 Properties for 2023 loans payable of $123.8 million):

	December 31, 2024	December 31, 2023
Loans payable to Lument (insured by HUD) in monthly installments of approximately $183,000, including interest, ranging from a fixed rate of 2.79% to 4.2%, due in September 2039 through April 2055, and as of December 31, 2024 and 2023, collateralized by Sheridan, Fernhill, Pacific Health, Aledo, Sundial and Friendship Haven.	$ 32,955,000	$ 33,984,000
Loan payable to Capital One Multifamily Finance, LLC (insured by HUD) in monthly installments of approximately $49,000, including interest at a fixed rate of 4.23%, due in September 2053, and collateralized by Pennington Gardens.	9,708,000	9,877,000
Loan payable to CIBC Bank, USA in monthly installments of approximately $106,000 including cash collateral fund payments, variable interest rate (8.17% at December 31, 2023). In September 2024, the properties were sold and the loan payable was extinguished.	—	15,000,000
	42,663,000	**58,861,000**
Less debt issuance costs	**(1,633,000)**	**(2,682,000)**
	41,030,000	56,179,000
Loans payable associated with GA8 Properties (see below and Note 14)	—	123,750,000
Total loans payable	**$ 41,030,000**	**$ 179,929,000**

As of December 31, 2024, we have total debt obligations of approximately $42.7 million that will mature between 2039 and 2055. See Note 3 for loans payable balance for each property. All of the loans payable have certain financial and non-financial covenants, including ratios and financial statement considerations. As of December 31, 2024, we were in compliance with all of our debt covenants.

During the years ended December 31, 2024 and 2023, we incurred approximately $19.3 million and $16.6 million of interest expense, respectively, including interest expense related to the GA8 Properties (see below for further information) of approximately $16.4 million and $13.3 million, respectively, excluding debt issuance costs amortization, related to our loans payable.

As of December 31, 2024 and 2023, the unamortized balance of the debt issuance costs was approximately $1.6 million and $2.7 million, respectively. These debt issuance costs are being amortized over the life of their respective financing agreements using the straight-line basis which approximates the effective interest rate method. For the years ended December 31, 2024 and 2023, approximately $0.3 million and $0.9 million, respectively, of debt issuance costs were amortized and included in interest expense in our consolidated statements of operations.

The principal payments due on the loans payable (excluding debt issuance costs and cash collateral funds) for each of the five following years and thereafter ending December 31 are as follows:

Year	Principal Amount
2025	$ 1,246,000
2026	1,292,000
2027	1,341,000
2028	1,391,000
2029	1,443,000
Thereafter	35,950,000
	$ 42,663,000

GA8 Properties

The GA8 Properties were financed with a $91.0 million first priority mortgage loan with CIBC collateralized by those properties, a $20.0 million subordinated term loan with Oxford Finance LLC (“Oxford”) collateralized by those properties and a $12.75 million mezzanine loan with Oxford secured by the equity interests of the GA Holdco.

During 2023 and 2024, we were out of compliance with respect to our debt covenants for our GA8 Properties due to the tenants' EBITDAR (earnings before interest, taxes, depreciation, amortization and rent) default and from our continuing failure to pay the full and timely interest payments due on the mezzanine loan since October 2023, and for the subordinated term loan since January 2024.

On March 13, 2024, we received a notice of default from Oxford, dated March 12, 2024, for the mezzanine loan primarily based on the non-compliance noted above, whereby Oxford exercised certain rights, including, their right to act as attorney-in-fact of GA HoldCo, and appointed an independent manager over the GA8 Properties, thereby removing the Company as the manager and removing the Company's voting rights and rights to receive any distributions with respect to such properties. The Oxford notice of default also constituted an event of default under the GA8 Properties subordinated term loan with Oxford and the first priority mortgage loan with CIBC. On May 7, 2024, we received a notice of default and reservation of rights letter from CIBC. On December 20, 2024, we transferred our ownership to an unaffiliated entity and were released from all debt and guarantee obligations. As such, we wrote off all amounts pertaining to the GA8 Properties. See Note 14 for further information regarding the derecognition in March 2024 and transfer of ownership of the GA8 Properties and related debt in December 2024.

As of December 31, 2024 and December 31, 2023, loans payable associated with GA8 Properties consisted of the following:

	December 31, 2024	December 31, 2023
Loan payable to CIBC Bank, USA in monthly installments with a variable interest rate (8.85% at December 31, 2023), due in December 2024, and collateralized by Calhoun Health Center, Maple Ridge Health Care Center, Chatsworth Health Care Center, East Lake Arbor, Fairburn Health Care Center, Grandview Health Care Center, Rosemont at Stone Mountain, and Willowwood Nursing Center & Rehab. See Note 14 for additional information.	$ —	$ 91,000,000
Loan payable to Oxford Finance, LLC in monthly installments of interest only through maturity, variable interest rate (16.4% at December 31, 2023) due in March 2025, collateralized in second position by the GA8 Properties. See Note 14 for additional information.	—	20,000,000
Mezzanine Loan payable to Oxford Finance, LLC in monthly installments of interest only through maturity, variable interest rate (16.4% at December 31, 2023) due in December 2026, secured by the equity interests of our wholly-owned subsidiary, Summit Georgia Holdings LLC, the parent holding company for the GA8 Properties. See Note 14 for additional information.	—	12,750,000
Total loans payable associated with GA8 Properties	**$ —**	**$ 123,750,000**

HUD-insured loans

All of the HUD-insured loans are subject to customary representations, warranties and ongoing covenants and agreements with respect to the operation of the facilities, including the provision for certain maintenance and other reserve accounts for property tax, insurance, and capital expenditures, with respect to the facilities all as described in the HUD agreements. These reserves are included in restricted cash on our consolidated balance sheets.

Master Letter of Credit Agreement

In June 2023, we entered into a $1.0 million Master Letter of Credit Agreement with CIBC. As of December 31, 2024, there are no outstanding letters of credit under this agreement.

5. Equity-Method Investments

As of December 31, 2024 and 2023, the aggregate balances of our Equity-Method Investments were approximately $0.4 million and $2.9 million, respectively, and are as follows:

Summit Union Life Holdings, LLC

The SUL JV will exist until an event of dissolution occurs, as defined in the limited liability company agreement of the SUL JV (the "SUL LLC Agreement").

Under the SUL LLC Agreement, net operating cash flow of the SUL JV will be distributed monthly, first to the Operating Partnership and Best Years *pari passu* up to a 9% to 10% annual return, as defined, and thereafter to Best Years 75% and the Operating Partnership 25%. All capital proceeds from the sale of the properties held by the SUL JV, a refinancing or another capital event will be paid first to the Operating Partnership and Best Years *pari passu* until each has received an amount equal to its accrued but unpaid 9% to 10% return plus its total capital contribution, and thereafter to Best Years 75% and the Operating Partnership 25%.

For the years ended December 31, 2024 and 2023, we invested approximately $29,000 and $370,000 related to capital calls for the SUL JV.

In March 2024, the SUL JV sold one property for a gain of $7.7 million. We recorded our 10% share of the gain of approximately $0.8 million in income from equity-method investees in the consolidated statements of operations for the year ended December 31, 2024 and received approximately $1.9 million in cash related to the sale. In May 2024, the SUL JV sold one property for a gain of $1.0 million. We recorded our 10% share of the gain of approximately $0.1 million in income from equity-method investees in the consolidated statements of operations for the year ended December 31, 2024. In November 2024, the SUL JV sold four properties for a gain of approximately $11.1 million. We recorded our 10% share of the gain of approximately $1.1 million in income from equity-method investees in the consolidated statements of operations for the year ended December 31, 2024 and received approximately $1.0 million in cash related to the sale.

In December 2023, the SUL JV sold two properties for a gain of approximately $7.0 million. We recorded our 10% share of the gain of approximately $0.7 million in loss from equity-method investees in the consolidated statements of operations for the year ended December 31, 2023 and received approximately $1.1 million in cash from the sale.

In 2023, the SUL JV recorded an aggregate impairment charge of approximately $1.1 million on one of the properties in the SUL JV and our 10% share of the impairment of approximately $0.1 million is included in loss from equity-method investees in the consolidated statements of operations for the year ended December 31, 2023.

As of December 31, 2024 and 2023, the balance of our equity-method investment related to the SUL JV was approximately $0.7 million and $1.8 million, respectively.

Summit Fantasia Holdings, LLC

On July 3, 2023, the majority member in the Fantasia I JV assigned its 65% interest, for no consideration, to Summit. As of July 2023, we no longer have any equity-method interest in the Fantasia I JV. See Note 3 under Fantasia I JV Transfer of Interest and Sale for further information.

Summit Fantasia Holdings II, LLC

The Fantasia II JV will exist until an event of dissolution occurs, as defined in the limited liability company agreement of the Fantasia II JV (the "Fantasia II LLC Agreement").

Under the Fantasia II LLC Agreement, net operating cash flow of the Fantasia JV will be distributed quarterly, first to the Operating Partnership and Fantasia *pari passu* until each member has received an amount equal to its accrued, but unpaid 8% return, and thereafter 70% to Fantasia and 30% to the Operating Partnership. All capital proceeds from the sale of the properties held by the Fantasia II JV, a refinancing or another capital event, will be paid first to the Operating Partnership and Fantasia *pari passu* until each has received an amount equal to its accrued but unpaid 8% return plus its total capital contribution, and thereafter 70% to Fantasia and 30% to the Operating Partnership.

In June 2023, the tenant for the two properties in the Fantasia II JV filed for receivership. The two properties are currently being operated by the receivership estate in conjunction with a third-party manager under a one-year management agreement which was extended for six months. Through December 31, 2024, there has been no termination of the tenant leases and the Fantasia II JV is currently communicating with the receiver regarding ongoing lease terms and payments. The Fantasia II JV has not received any rent payments since May 2023. In September 2023, the Fantasia II JV recorded an impairment of approximately $1.6 million on the two properties and our 20% share of the impairment of approximately $0.3 million is included in loss from equity-method investees in the consolidated statements of operations. Additionally, in September 2023, due to the ongoing issues with the receivership, we determined our investment in the Fantasia II JV to be impaired and recorded a $0.5 million impairment charge which is recorded in the loss from equity-method investees in the consolidated statements of operations for the year ended December 31, 2023. Due to our intention to fund a capital call, if needed, we are recording our share of the Fantasia II JV losses.

As of December 31, 2024 and 2023, the balance of our equity-method investment related to the Fantasia II JV was approximately ($0.2) million and $(0.1) million, respectively.

Summit Fantasia Holdings III, LLC

In May 2024, the Fantasia III JV sold their eight properties for $60.0 million. We received approximately $2.1 million in cash from the sale resulting in the winding-up of our equity-method investment and recorded income from the sale of approximately $0.9 million, which is recorded in income from equity-method investees in the consolidated statements of operations. Due to the sale of the properties, as of May 2, 2024, we no longer have an equity-method investment in the Fantasia III JV.

As of December 31, 2023, the balance of our equity-method investment related to the Fantasia III JV was approximately $1.2 million.

Summit Fantasy Pearl Holdings, LLC

The FPH JV will continue until an event of dissolution occurs, as defined in the limited liability company agreement of the FPH JV (the “FPH LLC Agreement”).

Under the FPH LLC Agreement, net operating cash flow of the FPH JV will be distributed quarterly, first to the members *pari passu* until each member has received an amount equal to its accrued, but unpaid 9% return, and thereafter 65.25% to Fantasy, 7.5% to Atlantis, 7.25% to Fantasia and 20% to the Operating Partnership. All capital proceeds from the sale of the properties held by the FPH JV, a refinancing or another capital event, will be paid to the members *pari passu* until each has received an amount equal to its accrued but unpaid 9% return plus its total capital contribution, and thereafter 65.25% to Fantasy, 7.5% to Atlantis, 7.25% to Fantasia, and 20% to the Operating Partnership.

During 2022 and into 2023, the FPH JV tenants deferred rent and paid reduced rents, and as such, we determined the fair value of our investment in the FPH JV to be impaired and recorded a $0.2 million impairment charge in 2022. When the tenant resumed paying all rents and recorded net income, we recorded the income after the losses incurred were reduced to zero beginning in January 2024, and additionally, recorded distributions, resulting in a negative equity-method investment balance as of December 31, 2024.

As of December 31, 2024 and 2023, the balance of our equity-method investment related to the FPH JV was approximately ($0.1) million and $0.

None of our Equity-Method Investments are significant equity-method investments.

Distributions from Equity-Method Investments

As of December 31, 2024 and 2023, we have distributions receivable, which is included in tenant and other receivables in our consolidated balance sheets, as follows:

	December 31, 2024	December 31, 2023
SUL JV	$ 49,000	$ 311,000
Fantasia II JV	30,000	30,000
Fantasia III JV	—	87,000
FPH JV	56,000	64,000
Total	$ 135,000	$ 492,000

For the years ended December 31, 2024 and 2023, we received cash distributions, which are included in our cash flows from operating activities in the change in tenant and other receivables, and cash flows from investing activities, using the cumulative earnings approach, as follows:

	Year Ended December 31, 2024			Year Ended December 31, 2023		
	Total Cash Distributions Received	Cash Flow from Operating	Cash Flow from Investing	Total Cash Distributions Received	Cash Flow from Operating	Cash Flow from Investing
SUL JV	$ 3,391,000	$ 2,050,000	$ 1,341,000	$ 1,706,000	$ 760,000	$ 946,000
Fantasia II JV	—	—	—	135,000	—	135,000
Fantasia III JV	2,158,000	916,000	1,242,000	12,000	—	12,000
FPH JV	128,000	—	128,000	—	—	—
Total	$ 5,677,000	$ 2,966,000	$ 2,711,000	$ 1,853,000	$ 760,000	$ 1,093,000

6. Receivables

Tenant and Other Receivables, net

Tenant and other receivables, net consists of:

	December 31, 2024	December 31, 2023
Straight-line rent receivables	$ 1,085,000	$ 1,396,000
Distribution receivables from Equity-Method Investments	135,000	492,000
Asset management fees	135,000	327,000
Other receivables	262,000	375,000
Total	$ 1,617,000	$ 2,590,000

7. Related Party Transactions

Equity-Method Investments

See Notes 5 and 6 for further discussion of distributions and asset management fees related to our Equity-Method Investments.

8. Intangible Lease Assets

Due to the sale of the CA3 Properties in September 2024 (see Note 3) and the eight derecognized GA8 Properties in March 2024 (see Note 14), there are no intangible lease assets as of December 31, 2024.

Intangible lease assets as of December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
In-place leases	$ —	$ 12,680,000
Less: accumulated amortization	—	(1,831,000)
In-place leases, net	—	10,849,000
Above-market leases	—	959,000
Less: accumulated amortization	—	(155,000)
Above-market leases, net	—	804,000
Total intangible lease assets, net	$ —	$ 11,653,000

For the years ended December 31, 2024 and 2023, amortization expense for intangible lease assets was approximately $0.2 million and $1.0 million, of which approximately $0.04 million and $0.06 million, respectively, relates to the amortization of above-market leases which was included within rental revenues in the accompanying consolidated statements of operations.

9. Right of Use Asset – Operating Lease

In November 2022, we entered into an operating lease for office space (“Office Lease”), located in Laguna Hills, California, for a period of sixty-six (66) months, with a five-year renewal option. On November 11, 2024, we executed an amendment to the Office Lease to reduce the lease term to April 2026 instead of April 2028. Additionally, the landlord can provide us with a written termination notice at least 30 days prior to the date on which we would be required to surrender the premises, the lease would terminate and we would no longer have any obligations to the landlord. As a result, we reduced our ROU asset and corresponding liability by approximately $0.4 million and recorded a gain on the lease modification of approximately $0.1 million, which is included in general and administrative expenses in the consolidated statements of operations during the year ended December 31, 2024.

The Office Lease is classified as an operating lease. A “right to use” or “ROU asset” represents the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Office Lease did not provide an explicit rate of interest; therefore we used an estimated incremental borrowing rate of 5% based on a fully collateralized and fully amortizing loan with a maturity date of the same length as the lease that is based on information available at the commencement date in determining the present value of lease payments. At inception, we recorded an ROU asset and lease liability of approximately $0.9 million. The Office Lease does not contain material residual value guarantees or material restrictive covenants.

Supplemental balance sheet information related to the Office Lease as of December 31, 2024 is as follows:

Component	Consolidated Balance Sheet Caption	
Right of use asset - operating	Other assets, net	$ 223,000
Lease liability - operating	Accounts payable and accrued liabilities	$ 283,000

Lease expense is presented as part of continuing operations within general and administrative expenses in the consolidated statements of operations. For each of the years ended December 31, 2024 and 2023, we recognized approximately $0.2 million in lease expense related to this lease. The lease payments are classified within operating activities in the consolidated statements of cash flows. As of December 31, 2024 and 2023, we paid approximately $211,000 and $103,000, respectively, in lease payments and the weighted average remaining lease term is 1.3 years.

Pursuant to ASC 842, lease payments on the Office Lease for each of the five following years ending December 31 are as follows:

Year		Lease payments
2025	$	236,000
2026		56,000
Total lease payments	$	292,000
Less imputed interest		(9,000)
Total lease liability	$	283,000

10. Concentration of Risk

As of December 31, 2024, we owned one property in California, three properties in Oregon, one property in Texas, one property in Illinois, and one property in Arizona (excluding the 17 properties held by our Equity-Method Investments). Accordingly, there is a geographic concentration of risk subject to economic conditions in certain states.

Additionally, as of December 31, 2024, we leased our 5 real estate properties to 3 different tenants under long-term triple net leases. For the year ended December 31, 2024, three tenants each had rental revenue greater than 10% (50%, 31% and 19%).

As of December 31, 2023, we leased our 16 real estate properties to 14 different tenants under long-term triple net leases. For the year ended December 31, 2023, three of the 14 tenants each had rental revenue greater than 10% (17%, 14%, and 10%).

As of December 31, 2024, none of our real estate properties are considered a significant asset concentration as none were greater than 20% of our total assets.

11. Commitments and Contingencies

We inspect our properties under a Phase I assessment for the presence of hazardous or toxic substances. While there can be no assurance that a material environmental liability does not exist, we are not currently aware of any environmental liability with respect to the properties that would have a material effect on our consolidated financial condition, results of operations and cash flows. Further, we are not aware of any environmental liability or any unasserted claim or assessment with respect to an environmental liability that we believe would require additional disclosure or the recording of a loss contingency.

Our commitments and contingencies include the usual obligations of real estate owners and licensed operators in the normal course of business. In the opinion of management, these matters are not expected to have a material impact on our consolidated financial condition, results of operations and cash flows. We are also subject to contingent losses resulting from litigation against the Company.

Legal Proceedings

HCRE

The Company is currently engaged in litigation with Healthcare Real Estate Partners, LLC (“HCRE”) regarding certain matters surrounding a September 2015 bankruptcy petition against HCRE and subsequent claims related thereto. The Bankruptcy Court entered an Order and Judgment with respect to the amounts set forth below on May 2, 2024. The Company filed a notice of appeal with respect to the $664,637 fee award, which appeal remains pending. The Company has also asserted counterclaims against HCRE, which are pending in the Delaware District Court, and which are stayed pending a final determination of the matters addressed in the Bankruptcy Court, including the appeal. Based on the assessment by management, as of December 31, 2024, the Company has accrued $75,000 for the reimbursement of legal fees related to the involuntary petition filing and $0 for the $665,000 in attorney’s fees related to the stay violation as we believe that a loss is currently not probable under Accounting Standards Codification 450, “*Contingencies*.”

Eikanas Dispute

On June 5, 2023, Kent Eikanas, the Company’s former Chief Executive Officer and Board Member, filed a lawsuit against the Company in the Superior Court of California for, among other things, wrongful termination and breach of contract, and seeking unspecified monetary damages. On April 8, 2024, Mr. Eikanas amended his Complaint to add additional causes of action and three new defendants – Steven Roush, Board Member; Suzanne Koenig, Board Member; and Elizabeth Pagliarini, Chief Executive Officer and Board Member. A trial date is now scheduled for May 2026. Based on the assessment by management, the Company believes that a loss is currently not probable or estimable under ASC 450, Contingencies, and as of December 31, 2024, no accrual has been made with regard to the claim.

Indemnification and Employment Agreements

We have entered into indemnification agreements with certain of our executive officers and directors which indemnify them, subject to limited exceptions, against all judgments, penalties, fines and amounts paid in settlement and all expenses actually and reasonably incurred by him or her in connection with any proceeding they become involved in by virtue of the status of a person as a present or former director, officer, employee, consultant or agent of the Company.

Management of our Equity-Method Investments

As the manager of our Equity-Method Investments, we are responsible for managing the day-to-day operations. Additionally, we could be subject to a capital call from our Equity-Method Investments.

12. Equity

Distributions

The Company declared no cash distributions per common share during the years ended December 31, 2024 and 2023.

Our distribution reinvestment plan was suspended indefinitely effective December 31, 2010. At this time, we cannot provide any assurance as to if or when we will resume our distribution reinvestment plan.

Share-Based Compensation Plans

Upon the grant of stock options, we determine the exercise price by using our estimated per-share value, which is calculated by aggregating the estimated fair value of our investments in real estate and the estimated fair value of our other assets, subtracting the book value of our liabilities, utilizing a discount for the fact that the shares are not currently traded on a national securities exchange and a lack of a control premium, and divided the total by the number of our common shares outstanding at the time the options were granted.

The fair value of each grant is estimated on the date of grant using the Black-Scholes option-pricing model. Assumptions required by the model include the risk-free interest rate, the expected life of the options, the expected stock price volatility over the expected life of the options, and the expected distribution yield. Compensation expense for employee stock options is recognized ratably over the vesting term. The expected life of the options was based on the simplified method as we do not have sufficient historical exercise data. The risk-free interest rate was based on the U.S. Treasury yield curve at the date of grant using the expected life of the options at the date of grant. Volatility was based on historical volatility of the stock prices for a sample of publicly traded companies with risk profiles similar to ours. The valuation model applied in this calculation utilizes highly subjective assumptions that could potentially change over time, including the expected stock price volatility and the expected life of an option.

Summit Healthcare REIT, Inc. 2015 Omnibus Incentive Plan

On October 28, 2015, we adopted the Summit Healthcare REIT, Inc. 2015 Omnibus Incentive Plan (“Incentive Plan”). The purpose of the Incentive Plan is to provide a means through which to attract and retain key personnel and to provide a means whereby current or prospective directors, officers, employees, consultants and advisors can acquire and maintain an equity interest in us, or be paid incentive compensation, including incentive compensation measured by reference to the value of our common stock, thereby strengthening their commitment to our welfare and aligning their interests with those of our stockholders.

We may grant non-qualified stock options and incentive stock options, stock appreciation rights, restricted stock and restricted stock units, and performance based compensation awards. Stock options granted under the Incentive Plan are required to have a per share exercise price that is not less than 100% of the fair market value of our common stock underlying such stock options on the date an option is granted (other than in the case of options that are substitute awards). All stock options that are intended to qualify as incentive stock options must be granted pursuant to an award agreement expressly stating that the option is intended to qualify as an incentive stock option, and will be subject to the terms and conditions that comply with the rules as may be prescribed by Section 422 of the Code. The maximum term for stock options granted under the Incentive Plan will be ten years from the initial date of grant.

The Incentive Plan provides that the total number of shares of common stock that may be issued is 3,000,000, of which 1,865,270 is available for future issuances as of December 31, 2024.

On April 1, 2023, we granted 80,000 stock options to our non-executive employees under our Summit Healthcare REIT, Inc. 2015 Omnibus Incentive Plan ("Incentive Plan"). The stock options vest monthly beginning on May 1, 2023 and continuing over a three-year period through April 1, 2026. The options expire 10 years from the grant date. The weighted-average fair value per share of the stock options granted was $0.91.

The estimated fair value using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2023
Stock options granted	80,000
Expected volatility	37.34 %
Expected term	5.75 years
Risk-free interest rate	3.65 %
Dividend yield	0 %
Fair value per stock option	$ 0.91

In 2024 and 2023, 13,333 and 880,845, respectively, vested shares were forfeited due to employee terminations.

The following table summarizes our stock options as of December 31, 2024:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding at January 1, 2023	1,948,908	$ 2.10		
Granted	80,000	2.18		
Exercised	—			
Cancelled/forfeited	880,845	2.02		
Options outstanding at December 31, 2023	1,148,063	$ 2.16		
Granted	—			
Exercised	—			
Cancelled/forfeited	13,333	2.25		
Options outstanding at December 31, 2024	1,134,730	$ 2.16	3.74	$ 86,465
Options exercisable at December 31, 2024	1,095,729	$ 2.16	3.59	$ 86,154

For our outstanding non-vested options as of December 31, 2024, the weighted average grant date fair value per share was $0.91. As of December 31, 2024, we have unrecognized stock-based compensation expense related to unvested stock options which is expected to be recognized as follows:

Years Ending December 31,	
2025	$ 28,000
2026	7,000
	$ 35,000

The stock-based compensation expense reported for the years ended December 31, 2024 and 2023 was approximately $47,000 and $41,000, respectively, and is included in general and administrative expense in the consolidated statements of operations.

13. Segment Reporting

ASC 280, *Segment Reporting*, establishes standards for reporting financial and descriptive information about an enterprise's reportable segments. In November 2023, the FASB issued ASU 2023-07, "*Segment Reporting* (Topic 280): Improvements to Reportable Segment Disclosures" which enhances reportable segment disclosures on both an annual and interim basis.

As of December 31, 2024 and 2023, we manage our business of investing in healthcare real estate as one reportable segment and although our portfolio is located throughout the United States, we do not distinguish or group our operations on a geographical basis for purposes of allocating resources or measuring performance. We are managed as one segment for internal purposes and for internal decision making by the Chief Operating Decision Maker ("CODM"), which is the Company's Chief Executive Officer, for making decisions and assessing performance as the source of the Company's reportable segment. The CODM evaluates performance and makes resource allocation and operating decisions based on net income (loss). Expenses that are significant are the same as shown on the accompanying consolidated statements of operations. Additionally, the CODM regularly reviews the asset information by our reportable segment that are the same as shown on the accompanying consolidated balance sheets.

14. Derecognition of GA8 Properties

As noted in Note 4, on March 13, 2024, we received a notice of default from Oxford, dated March 12, 2024, for events of default under the mezzanine loan, whereby Oxford exercised certain rights as the agent, including, their right to act as attorney-in-fact of Summit Georgia Holdings LLC, and appointed an independent manager over the GA8 Properties, thereby removing Summit as the manager and removing our voting rights and rights to receive any distributions with respect to such properties. As such, the independent manager took control over all activities of the GA8 Properties and Summit no longer had any control or authority over the properties' operations or activities.

As a result of these actions, Summit derecognized the GA8 Properties as of March 12, 2024, the effective date of when the independent manager took control, and accordingly recognized an initial gain of $17.7 million as of March 11, 2024. Subsequent to March 11, 2024, we were continuing to accrue interest associated with GA8 Properties and adjust the contract asset through gain on derecognition of assets with the corresponding changes in loan payable and accrued interest associated with the derecognition of GA8 Properties.

The following assets and property operating liabilities were derecognized from our condensed consolidated balance sheet upon our loss of control of the GA8 Properties as of March 12, 2024:

	As of March 11, 2024
Real estate properties, net	$ 97,637,000
Intangible lease assets, net	10,250,000
Cash and other assets	3,096,000
Property operating liabilities (accrued liabilities, deferred financing costs, and security deposits)	(2,620,000)
Derecognized assets and liabilities	$ 108,363,000

On December 20, 2024, we, and the GA8 Properties, entered into a Membership Interest Assignment and Release of Guaranty Agreements (the "Release Agreements") with Oxford, the holder of the second and mezzanine loans, and CIBC, the senior lender for the first priority loan. As a result of the execution of the Release Agreements, Summit transferred all of the outstanding membership interests in the GA Holdco and GA8 Properties to an unaffiliated transferee and obtained the release of all guaranties from all three loans with no further obligations. Summit also concurrently resigned as Manager of GA Holdco. As of December 20, 2024, GA Holdco and GA8 Properties will no longer be included in our consolidated financial statements.

For the period ended December 20, 2024, we recorded an additional gain of approximately $13.0 million which is primarily related to additional accrued interest through the date of the Release Agreements for a total gain of $30.7 million for the year ended December 31, 2024, which is included in gain on derecognition associated with GA8 Properties in our consolidated statements of operations.

In March 2024, we recorded a contract asset of $126.1 million, and as of December 20, 2024, the balance of $131.7 million, which represented the liabilities we expected to be released from upon final resolution with the lender in exchange for the transfer of ownership of the GA8 Properties, was written off against the corresponding accrued interest of approximately $9.9 million and loans payable of approximately $121.9 million.

The results of operations included in our consolidated statements of operations (including operations from January 1, 2024 through December 20, 2024, the date of the Release Agreements) and December 31, 2023 are as follows:

	December 20, 2024	December 31, 2023
Statements of Operations:		
Total rental revenue	$ 2,083,000	$ 11,829,000
Property operating costs	$ 75,000	$ 1,287,000
Depreciation and amortization	$ 929,000	$ 5,103,000
Interest expense	$ 16,459,000	$ 13,251,000

15. Earnings Per Common Share

The following table presents the calculation of basic and diluted earnings per share ("EPS") for the Company's common stock for the years ended December 31, 2024 and 2023, and reconciles the weighted-average common shares outstanding used in the calculation of basic EPS to the weighted-average common shares outstanding used in the calculation of diluted EPS:

	2024	2023
Numerator:		
Net income (loss)	$ 27,208,000	$ (24,782,000)
Net income (loss) attributable to noncontrolling interests	(102,000)	(19,000)
Net income (loss) applicable to common stockholders	$ 27,106,000	$ (24,801,000)
Denominator:		
Basic:		
Denominator for basic EPS - weighted average shares	23,027,978	23,027,978
Effect of dilutive shares:		
Stock options	39,482	—
Denominator for diluted EPS – adjusted weighted average shares	23,067,460	23,027,978
Basic EPS	$ 1.18	$ (1.08)
Diluted EPS	$ 1.18	$ (1.08)

During the years ended December 31, 2024 and 2023, approximately 0.7 million and 1.1 million stock options, respectively, were excluded from computing diluted earnings per share because they were considered anti-dilutive.

16. Subsequent Events

None.

ITEM 16. FORM 10-K SUMMARY

None.

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SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SUMMIT HEALTHCARE REIT, INC.

Date: March 26, 2025

By: /s/ Elizabeth A. Pagliarini
Elizabeth A. Pagliarini
Chief Executive Officer and Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 26, 2025.

Name	Title
/s/ Elizabeth A. Pagliarini Elizabeth A. Pagliarini	Chief Executive Officer and Secretary (Principal Executive Officer)
/s/ Sharyn Grant Sharyn Grant	Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)
/s/ J. Steven Roush J. Steven Roush	Director
/s/ Suzanne Koenig Suzanne Koenig	Director
/s/ Elizabeth A. Pagliarini Elizabeth A. Pagliarini	Director

EXHIBIT INDEX

Ex.	Description
2.1	Purchase and Sale Agreement, dated February 1, 2024, by and between Summit Yucaipa, LLC, Summit Mentone LLC, and Summit Creekside, LLC, and Rockwell Healthcare Propco RE, LLC, as amended on April 1, 2024, May 1, 2024, May 30, 2024 and August 27, 2024 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 11, 2024).
2.2	Membership Interest Assignment and Release of Guaranty Agreements entered into by Summit Healthcare REIT, Inc., Summit Healthcare Operating Partnership, L.P. and Oxford Finance LLC, a Delaware limited liability company and CIBC Bank USA, an Illinois banking corporation, dated December 20, 2024 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 26, 2024).
3.1	Second Articles of Amendment and Restatement of Articles of Incorporation of Cornerstone Core Properties REIT, Inc. dated June 30, 2010 (incorporated by reference to the Company's Annual Report on Form 10-K filed on March 20, 2015).
3.2	Articles of Amendment of Cornerstone Core Properties REIT, Inc. dated October 16, 2013 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on October 22, 2013).
3.3	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.3 to Post-Effective Amendment No. 1 to the Registration Statement on Form S-11 (No. 333-121238) filed on December 23, 2005 ("Post-Effective Amendment No. 1")).
3.4	Amendment No. 1 to the Bylaws of Summit Healthcare REIT, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on February 20, 2025).
4.1	Statement regarding restrictions on transferability of shares of common stock (to appear on stock certificate or to be sent upon request and without charge to stockholders issued shares without certificates) (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-11 (No. 333-121238) filed on December 14, 2004).
4.5	Description of the Registrant's Common Stock (incorporated by reference to the Company's Annual Report on Form 10-K filed on March 25, 2021).
10.1	Healthcare Facility Note (incorporated by reference to the form of such note on Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 23, 2014).
10.2	Cornerstone Healthcare Partners LLC Operating Agreement dated June 11, 2012 (incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q filed on November 14, 2012).
10.3	Limited Liability Company Agreement of Summit Union Life Holdings, LLC between Summit Healthcare Operating Partnership, LP and Best Years, LLC dated as of April 7, 2015 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 1, 2015).
10.4	Healthcare Facility Note with respect to HUD – insured loans between HP Aledo, LLC and Lancaster Pollard Mortgage Company, LLC dated October 1, 2015 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 9, 2015).
10.5	Healthcare Regulatory Agreement – Borrower between HP Aledo, LLC and HUD dated October 1, 2015 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on October 9, 2015).
10.6	Second Amendment to Limited Liability Company Agreement of Summit Union Life Holdings, LLC dated as of December 21, 2015 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 30, 2015).
10.7	Agreement of Limited Partnership of Cornerstone Operating Partnership, L.P. (incorporated by reference to Exhibit 10.2 to Pre-Effective Amendment No. 4 to the Registration Statement on Form S-11 (No. 333-121238) filed on August 30, 2005).
10.8	Indemnification Agreement dated July 31, 2014 by and between the Company and Kent Eikanas (incorporated by reference to the form of such agreement on Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 1, 2014).
10.9	Indemnification Agreement dated September 2, 2014 by and between the Company and Elizabeth Pagliarini (incorporated by reference to the form of such agreement on Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 3, 2014).
10.10	Lease Agreement between CHP Portland, LLC, CHP Tigard, LLC and Sheridan Care Center LLC, and SNF Management, LLC dated September 1, 2014 (incorporated by reference on Exhibit 10.29 to the Company's Annual Report on Form 10-K filed on March 20, 2015).
10.11	Amended and Restated Lease between CHP Friendswood SNF, LLC and Friendswood TRS, LLC dated January 1, 2018 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 5, 2018).
10.12	Healthcare Facility Note with respect to HUD – insured loans between Summit Chandler, LLC and Capital One Multifamily Finance, LLC, dated September 27, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 1, 2018).
10.13	Healthcare Regulatory Agreement – Borrower between Summit Chandler, LLC and HUD, dated September 27, 2018 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on October 1, 2018).

10.14	Healthcare Facility Note with respect to HUD – insured loans between CHP Friendswood, LLC and ORIX Real Estate Capital, LLC, dated April 1, 2020 (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on April 28, 2020).
10.15	Healthcare Regulatory Agreement – Borrower between CHP Friendswood, LLC and HUD, dated April 1, 2020 (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K filed on April 28, 2020).
10.16	Standard Office lease between Lakehills CM-CG LLC, a Delaware limited liability company, as landlord, and Summit Healthcare REIT, Inc., as tenant, dated April 1, 2022 (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K filed on March 25, 2021).
10.17	2015 Omnibus Incentive Plan dated October 28, 2015 (incorporated by reference to Appendix A to the Definitive Proxy Statement on Schedule 14A filed on September 28, 2015).
10.18	Form of Stock Option Agreement under 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.24 to the Company’s Annual Report on Form 10-K filed on April 16, 2024)
10.19	Employment Agreement between Summit Healthcare REIT, Inc., a Maryland Corporation, and Elizabeth A Pagliarini, dated December 3, 2024 (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on December 6, 2024).
10.20	Employment Agreement between Summit Healthcare REIT, Inc., a Maryland Corporation, and Sharyn Grant, dated November 6, 2024 (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K filed on December 6, 2024).
10.21	First Amendment to Office lease between KB Mill Creek MT, LLC and Summit Healthcare REIT, Inc. dated November 11, 2024.
14.1	Code of Business Conduct and Ethics (incorporated by reference to Exhibit 14.1 to the Company’s Annual Current Report on Form 8-K filed on June 23, 2014).
19.1	Policy on Insider Trading (filed herewith)
21.1	List of Subsidiaries (filed herewith).
23.1	Consent of BDO USA, P.C. (filed herewith).
23.2	Consent of Haskell & White LLP (filed herewith).
31.1	Certification of Principal Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Principal Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Principal Executive Officer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

Exhibit 10.21

FIRST AMENDMENT TO OFFICE LEASE

THIS FIRST AMENDMENT TO OFFICE LEASE (this "**Amendment**") is made and entered into as of November 11, 2024 (the "**Effective Date**"), by and between **KB MILL CREEK MT, LLC**, a Delaware limited liability company ("**Landlord**"), and **SUMMIT HEALTHCARE REIT, INC.**, a Maryland corporation ("**Tenant**").

RECITALS

A. Landlord and Tenant are parties to that certain Standard Office Lease, dated April 1, 2022 (the "**Lease**"), pursuant to which Tenant leases from Landlord approximately 5,241 rentable square feet of office space, designated as Suite 125 (the "**Premises**"), on the first floor in the building located at 23382 Mill Creek Drive, Laguna Hills, California 92653 (the "**Building**").

B. KB Mill Creek, DST, a Delaware statutory trust (successor-in-interest to LAKEHILLS CM-CG LLC, a Delaware limited liability company), as the current fee owner of the Project (the "**Master Lessor**"), master leased the Project to Landlord pursuant to that certain Master Lease Agreement dated October 7, 2022, by and between the Master Lessor and Landlord and to which the Lease, as amended by this Amendment, is subject and subordinate pursuant to Section 18.1 of the Lease.

C. Landlord and Tenant desire to enter into this Amendment in order to amend, modify, and supplement the Lease upon the terms and subject to the conditions set forth in this Amendment.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

AGREEMENT

1. **Recitals and Defined Terms.** Lessor and Lessee acknowledge the truthfulness of the foregoing Recitals, which are hereby incorporated into this Amendment. Unless otherwise specified in this Amendment, all capitalized terms used herein are used as defined in the Lease.

2. **Lease Expiration Date.** Notwithstanding anything in the Lease to the contrary, the Lease Expiration Date shall be April 30, 2026.

3. **Termination Option.** Effective as of the Effective Date hereof, Landlord shall have the option (the "**Termination Option**") to terminate the Lease, as amended by this Amendment, with respect to the entire Premises. Landlord shall exercise the Termination Option by delivering a written termination notice to Tenant at least thirty (30) days prior to the date on which Tenant shall surrender the entire Premises (the "**Early Termination Date**"). If Landlord exercises the Termination Option, the Lease shall cease and expire on the Early Termination Date with the same force and effect as if said Early Termination Date were the Lease Expiration Date, subject to such provisions of this Lease that survive expiration or termination of this Lease.

4. **Address of Landlord.** The Address of Landlord set forth in Section 29.14 of the Lease is hereby amended and restated as follows:

KB Mill Creek MT, LLC
c/o Kingsbarn Realty Capital
1645 Village Center Circle, Suite 200
Las Vegas, NV 89134
Attention: Adam Drake

5. **Condition of Premises.** Tenant is in possession of the Premises and accepts the same "as is," "where is," with all faults, without any without any claim of default, offset, or defense against the payment of Rent or other charges due or payable by Tenant, and without any agreements, representations, understandings, or obligations on the part of Landlord to perform any alterations, repairs, or improvements. Tenant hereby acknowledges and agrees that Landlord has fully satisfied its obligations under the Lease prior to and including the Effective Date.

6. **Tenant Representations.**

6.1. Tenant hereby represents and warrants that (a) Tenant has full right and authority to execute and deliver this Amendment and that each person signing on behalf of Tenant is authorized to do so, and (b) Tenant is properly formed and validly existing under the laws of the state in which Tenant is formed and Tenant is authorized to transact business in the state in which the Building is located. Tenant shall, within ten (10) days after request from Landlord, deliver to Landlord satisfactory evidence of such authority and, if a corporation or limited liability company, also deliver to Landlord satisfactory evidence of (i) good standing in Tenant's state of formation and (ii) qualification to do business in California.

6.2. Tenant hereby represents and warrants to Landlord that, as of the date of this Amendment, Tenant is in full compliance with all terms, covenants and conditions of the Lease and that there are no breaches or defaults under the Lease by Landlord or Tenant, and that Tenant knows of no events or circumstances which, given the passage of time, would constitute a default under the Lease by either Landlord or Tenant.

7. **Miscellaneous.**

7.1. This Amendment sets forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements. Under no circumstances shall Tenant be entitled to any rent abatement, improvement allowance, leasehold improvements, or other work to the Premises, or any similar economic incentives that may have been provided Tenant in connection with entering into the Lease, unless specifically set forth in the Lease or this Amendment.

7.2. Except as herein modified or amended, the provisions, conditions and terms of the Lease shall remain unchanged and in full force and effect. In the case of any inconsistency between the provisions of the Lease and this Amendment, the provisions of this Amendment shall govern and control.

7.3. Submission of this Amendment by Landlord is not an offer to enter into this Amendment but rather is a solicitation for such an offer by Tenant. Landlord shall not be bound by this Amendment until Landlord has executed and delivered the same to Tenant.

7.4. Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Amendment, and that they know of no other real estate broker or agent who is entitled to a commission in connection with this Amendment. Each party agrees to indemnify and defend the other party against and hold the other party harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, costs and expenses (including, without limitation, reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of any dealings with any real estate broker or agent, occurring by, through, or under the indemnifying party.

7.5. Each signatory of this Amendment represents hereby that he or she has the authority to execute and deliver the same on behalf of the party hereto for which such signatory is acting. Tenant hereby represents and warrants that neither Tenant, nor any persons or entities holding any legal or beneficial interest whatsoever in Tenant, are (i) the target of any sanctions program that is established by Executive Order of the President or published by the Office of Foreign Assets Control, U.S. Department of the Treasury ("**OFAC**"); (ii) designated by the President or OFAC pursuant to the Trading with the Enemy Act, 50 U.S.C. App. § 5, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701-06, the Patriot Act, Public Law 107-56, Executive Order 13224 (September 23, 2001) or any Executive Order of the President issued pursuant to such statutes; or (iii) named on the following list that is published by OFAC: "List of Specially Designated Nationals and Blocked Persons." If the foregoing representation is untrue at any time during the First Extended Term, an event of default under the Lease will be deemed to have occurred, without the necessity of notice to Tenant.

7.6. TENANT HEREBY WAIVES ANY AND ALL RIGHTS CONFERRED BY SECTION 3275 OF THE CIVIL CODE OF CALIFORNIA AND BY SECTIONS 1174(c) AND 1179 OF THE CODE OF CIVIL PROCEDURE OF CALIFORNIA AND ANY AND ALL OTHER LAWS AND RULES OF LAW FROM TIME TO TIME IN EFFECT DURING THE LEASE TERM OR THEREAFTER PROVIDING THAT TENANT SHALL HAVE ANY RIGHT TO REDEEM, REINSTATE OR RESTORE THE LEASE, AS AMENDED HEREBY, FOLLOWING ITS TERMINATION BY REASON OF TENANT'S BREACH.

7.7. Redress for any claim against Landlord under the Lease and this Amendment shall be limited to and enforceable only against and to the event of Landlord's interest in the Building. The obligations of Landlord under the Lease as amended hereby are not intended to and shall not be personally binding on, nor shall any resort be had to the property of, any of its partners, venturers, trustees, directors, officers, shareholders, managers, members, beneficiaries, employees, agents, or affiliates, or any of its successors or assigns, as the case may be, and in no case shall Landlord be liable to Tenant hereunder for any lost profits, damage to business, or any form of special, indirect, punitive or consequential damages.

7.8. The aforementioned recitals are true and correct and are incorporated herein by reference.

7.9. This Amendment may be executed in one or more counterpart copies and each of which so executed shall be deemed an original, and all such counterparts together shall constitute one and the same instrument. Signatures sent via email or facsimile shall have the same force and effect as originals.

IN WITNESS WHEREOF, Landlord and Tenant have entered into and executed this Second Amendment to Office Lease as of the Effective Date.

[SIGNATURE PAGE FOLLOWS]

LANDLORD:

KB MILL CREEK MT, LLC,
a Delaware limited liability company

By: KB Mill Creek SPE Member, LLC,
a Delaware limited liability company,
its Manager

By: Kingsbarn Real Estate Capital, LLC,
a California limited liability company,
its Manager

By: Kingsbarn Realty Capital, LLC,
a Nevada limited liability company,
its Manager

By: */s/ Adam Drake*
Adam Drake, VP Asset Management

TENANT:

SUMMIT HEALTHCARE REIT, INC.,
a Maryland corporation

By: */s/ Elizabeth Pagliarini*
Name: Elizabeth Pagliarini
Title: CEO & Secretary

[SIGNATURE PAGE TO FIRST AMENDMENT TO OFFICE LEASE]

Exhibit 19.1

SUMMIT HEALTHCARE REIT, INC.

POLICY ON INSIDER TRADING

This Insider Trading Policy describes the standards of Summit Healthcare REIT, Inc. and its subsidiaries (the "**Company**") on trading, and causing the trading of, the Company's securities or securities of certain other publicly traded companies while in possession of confidential information. This Policy is divided into two parts: the first part prohibits trading in certain circumstances and applies to all directors, officers and employees and their respective immediate family members of the Company, and the second part imposes special additional trading restrictions and applies to all (i) directors of the Company, and (ii) executive officers of the Company/officers of the Company (together with the directors, "**Company Insiders**").

One of the principal purposes of the federal securities laws is to prohibit so-called "insider trading." Simply stated, insider trading occurs when a person uses material nonpublic information obtained through involvement with the Company to make decisions to purchase, sell, give away or otherwise trade the Company's securities or the securities of certain other companies or to provide that information to others outside the Company. The prohibitions against insider trading apply to trades, tips and recommendations by virtually any person, including all persons associated with the Company, if the information involved is "material" and "nonpublic." These terms are defined in this Policy under Part I, Section 3 below. The prohibitions would apply to any director, officer or employee who buys or sells securities on the basis of material nonpublic information that he or she obtained about the Company, its customers, suppliers, partners, competitors or other companies with which the Company has contractual relationships or may be negotiating transactions.

PART I

1. Applicability

This Policy applies to all trading or other transactions in (i) the Company's securities, including common stock, options and any other securities that the Company may issue, such as preferred stock, notes, bonds and convertible securities, as well as to derivative securities relating to any of the Company's securities, whether or not issued by the Company and (ii) the securities of certain other companies, including common stock, options and other securities issued by those companies as well as derivative securities relating to any of those companies' securities, where the person trading used information obtained while working for the Company.

This Policy applies to all employees and officers of the Company and to all members of the Company's board of directors and their respective family members.

2. General Policy: No Trading or Causing Trading While in Possession of Material Nonpublic Information

(a) No director, officer or employee or any of their immediate family members may purchase or sell, or offer to purchase or sell, any Company security, whether or not issued by the Company, while in possession of material nonpublic information about the Company. (The terms "material" and "nonpublic" are defined in Part I, Section 3(a) and (b) below.)

(b) No director, officer or employee or any of their immediate family members who knows of any material nonpublic information about the Company may communicate that information ("**tip**") to any other person, including family members and friends, or otherwise disclose such information without the Company's authorization.

(c) No director, officer or employee or any of their immediate family members may purchase or sell any security of any other publicly traded company while in possession of material nonpublic information that was obtained in the course of his or her involvement with the Company. No director, officer or employee or any of their immediate family members who knows of any such material nonpublic information may communicate that information to, or tip, any other person, including family members and friends, or otherwise disclose such information without the Company's authorization.

(d) For compliance purposes, you should never trade, tip or recommend securities (or otherwise cause the purchase or sale of securities) while in possession of information that you have reason to believe is material and nonpublic.

(e) Company Insiders must "pre-clear" all trading in securities of the Company in accordance with the procedures set forth in Part II, Section 3 below.

3. Definitions

(a) **Material.** Insider trading restrictions come into play only if the information you possess is "material." Materiality, however, involves a relatively low threshold. Information is generally regarded as "material" if it has market significance, that is, if its public dissemination is likely to affect the market price of securities, or if it otherwise is information that a reasonable investor would want to know before making an investment decision.

Information dealing with the following subjects is reasonably likely to be found material in particular situations:

(i) significant changes in the Company's prospects;

(ii) acquisitions or dispositions of material assets;

(iii) significant write-downs in assets or increases in reserves;

(iv) developments regarding significant litigation or government agency investigations;

(v) liquidity problems;

(vi) changes in earnings estimates or unusual gains or losses in major operations;

(vii) major changes in the Company's management or the board of directors;

(viii) changes in dividends;

(ix) extraordinary borrowings;

(x) major changes in accounting methods or policies;

(xi) award or loss of a significant contract;

(xii) cybersecurity risks and incidents, including vulnerabilities and breaches;

(xiii) proposals, plans or agreements, even if preliminary in nature, involving mergers, acquisitions, divestitures, recapitalizations, strategic alliances, licensing arrangements, or purchases or sales of substantial assets; and

(xiv) offerings of Company securities.

Material information is not limited to historical facts but may also include projections and forecasts. With respect to a future event, such as a merger, acquisition or introduction of a new product, the point at which negotiations or product development are determined to be material is determined by balancing the probability that the event will occur against the magnitude of the effect the event would have on a company's operations or stock price should it occur. Thus, information concerning an event that would have a large effect on stock price, such as a merger, may be material even if the possibility that the event will occur is relatively small. When in doubt about whether particular nonpublic information is material, you should presume it is material. **If you are unsure whether information is material, you should either consult the Compliance Officer before making any decision to disclose such information (other than to persons who need to know it) or to trade in or recommend securities to which that information relates or assume that the information is material.**

(b) **Nonpublic.** Insider trading prohibitions come into play only when you possess information that is material and "nonpublic." The fact that information has been disclosed to a few members of the public does not make it public for insider trading purposes. To be "public" the information must have been disseminated in a manner designed to reach investors generally, and the investors must be given the opportunity to absorb the information. Even after public disclosure of information about the Company, you must wait until the close of business on the second trading day after the information was publicly disclosed before you can treat the information as public.

Nonpublic information may include:

(i) information available to a select group of analysts or brokers or institutional investors;

(ii) undisclosed facts that are the subject of rumors, even if the rumors are widely circulated; and

(iii) information that has been entrusted to the Company on a confidential basis until a public announcement of the information has been made and enough time has elapsed for the market to respond to a public announcement of the information (normally two trading days).

As with questions of materiality, if you are not sure whether information is considered public, you should either consult with the Compliance Officer or assume that the information is nonpublic and treat it as confidential.

(c) **Compliance Officer.** The Company has appointed the Chief Financial Officer as the Compliance Officer for this Policy. The duties of the Compliance Officer include, but are not limited to, the following:

(i) assisting with implementation and enforcement of this Policy;

(ii) circulating this Policy to all employees;

(iii) pre-clearing all trading in securities of the Company by Company Insiders in accordance with the procedures set forth in Part II, Section 3 below; and

(iv) providing approval of any Rule 10b5-1 plans under Part II, Section 1(c) below and any prohibited transactions under Part II, Section 4 below.

4. Violations of Insider Trading Laws

Penalties for trading on or communicating material nonpublic information can be severe, both for individuals involved in such unlawful conduct and their employers and supervisors, and may include jail terms, criminal fines, civil penalties and civil enforcement injunctions. Given the severity of the potential penalties, compliance with this Policy is absolutely mandatory.

(a) **Legal Penalties.** A person who violates insider trading laws by engaging in transactions in a company's securities when he or she has material nonpublic information can be sentenced to a substantial jail term and required to pay a criminal penalty of several times the amount of profits gained or losses avoided.

In addition, a person who tips others may also be liable for transactions by the tippees to whom he or she has disclosed material nonpublic information. Tippers can be subject to the same penalties and sanctions as the tippees, and the SEC has imposed large penalties even when the tipper did not profit from the transaction.

The SEC can also seek substantial civil penalties from any person who, at the time of an insider trading violation, "directly or indirectly controlled the person who committed such violation," which would apply to the Company and/or management and supervisory personnel. Even for violations that result in a small or no profit, the SEC can seek penalties from a company and/or its management and supervisory personnel as control persons.

(b) **Company-Imposed Penalties.** Employees who violate this Policy may be subject to disciplinary action by the Company, including dismissal for cause. Any exceptions to the Policy, if permitted, may only be granted by the Compliance Officer and must be provided before any activity contrary to the above requirements takes place.

PART II

1. Blackout Periods

All Company Insiders are prohibited from trading in the Company's securities during blackout periods as defined below.

(a) **Quarterly Blackout Periods.** Trading in the Company's securities is prohibited during the period beginning at the close of the market on two weeks before the end of each fiscal quarter and ending at the close of business on the second trading day following the date the Company's Form 10-Q or Form 10-K is filed. During these periods, Company Insiders generally possess or are presumed to possess material nonpublic information about the Company's financial results.

(b) **Other Blackout Periods.** From time to time, other types of material nonpublic information regarding the Company (such as negotiation of mergers, acquisitions or dispositions, investigation and assessment of cybersecurity incidents or new product developments) may be pending and not be publicly disclosed. While such material nonpublic information is pending, the Company may impose special blackout periods during which Company Insiders are prohibited from trading in the Company's securities. If the Company imposes a special blackout period, it will notify the Company Insiders affected.

(c) **Exception.** Blackout Period restrictions do not apply to transactions under a pre-existing written plan, contract, instruction, or arrangement under Rule 10b5-1 under the Securities Exchange Act of 1934 (an "**Approved 10b5-1 Plan**") that meet the following requirements:

(i) it has been reviewed and approved by the Compliance Officer (or, if revised or amended, such proposed revisions or amendments have been reviewed and approved by the Compliance Officer);

(ii) it provides that no trades may occur thereunder until expiration of the applicable cooling-off period specified in Rule 10b5-1(c)(ii)(B), and no trades occur until after that time. The appropriate cooling-off period will vary based on the status of the Company Insider. For directors and officers, the cooling-off period ends on the later of (x) ninety days after adoption or certain modifications of the 10b5-1 plan; or (y) two business days following disclosure of the Company's financial results in a Form 10-Q or Form 10-K for the quarter in which the 10b5-1 plan was adopted. For all other Company Insiders, the cooling-off period ends 30 days after adoption or modification of the 10b5-1 plan. This required cooling-off period will apply to the entry into a new 10b5-1 plan and any revision or modification of a 10b5-1 plan;

(iii) it is entered into in good faith by the Company Insider, and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1, at a time when the Company Insider is not in possession of material nonpublic information about the Company; and, if the Company Insider is a director or officer, the

10b5-1 plan must include representations by the Company Insider certifying to that effect;

(iv) it gives a third party the discretionary authority to execute such purchases and sales, outside the control of the Company Insider, so long as such third party does not possess any material nonpublic information about the Company; or explicitly specifies the security or securities to be purchased or sold, the number of shares, the prices and/or dates of transactions, or other formula(s) describing such transactions; and

(v) it is the only outstanding Approved 10b5-1 Plan entered into by the Company Insider (subject to the exceptions set out in Rule 10b5-1(c)(ii)(D)).

Company Insiders should consult their own legal and tax advisors before entering into, or modifying or terminating, an Approved 10b5-1 Plan. A trading plan, contract, instruction or arrangement will not qualify as an Approved 10b5-1 Plan without the prior review and approval of the Compliance Officer as described above.

2. Trading Window

Company Insiders are permitted to trade in the Company's securities when no blackout period is in effect. However, even during this trading window, a Company Insider who is in possession of any material nonpublic information should not trade in the Company's securities until the information has been made publicly available or is no longer material. In addition, the Company may close this trading window if a special blackout period under Part II, Section 1(b) above is imposed and will re-open the trading window once the special blackout period has ended.

3. Pre-Clearance of Securities Transactions

(a) Because Company Insiders are likely to obtain material nonpublic information on a regular basis, the Company requires all such persons to refrain from trading, even during a trading window under Part II, Section 2 above, without first pre-clearing all transactions in the Company's securities.

(b) Subject to the exemption in subsection (d) below, no Company Insider may, directly or indirectly, purchase or sell (or otherwise make any transfer, gift, pledge or loan of) any Company security at any time without first obtaining prior approval from the Compliance Officer. These procedures also apply to transactions by such person's spouse, other persons living in such person's household and minor children and to transactions by entities over which such person exercises control. If the transaction does not occur within one week of pre-approval, pre-clearance must be re-requested.

4. Prohibited Transactions

(a) Company Insiders are prohibited from trading in the Company's equity securities during a blackout period imposed under an "individual account" retirement or pension plan of the Company, during which at least 50% of the plan participants are unable to purchase, sell or otherwise acquire or transfer an interest in equity securities of the Company, due to a temporary suspension of trading by the Company or the plan fiduciary.

(b) Company Insiders, including any person's spouse, other persons living in such person's household and minor children and entities over which such person exercises control, are prohibited from engaging in the following transactions in the Company's securities unless advance approval is obtained from the Compliance Officer:

(i) Short-term trading. Company Insiders who purchase Company securities may not sell any Company securities of the same class for at least six months after the purchase;

(ii) Short sales. Company Insiders may not sell the Company's securities short;

(iii) Options trading. Company Insiders may not buy or sell puts or calls or other derivative securities on the Company's securities;

(iv) Trading on margin or pledging. Company Insiders may not hold Company securities in a margin account or pledge Company securities as collateral for a loan; and

(v) Hedging. Company Insiders may not enter into hedging or monetization transactions or similar arrangements with respect to Company securities.

5. Acknowledgment and Certification

All Company Insiders are required to sign the attached acknowledgment and certification.

Exhibit 21.1

Summit Healthcare Operating Partnership, L.P.	Delaware
Summit Healthcare Asset Management, LLC	Delaware
SHOP TRS LLC	Delaware
Healthcare Properties	
Cornerstone Healthcare Partners, LLC	Delaware
Cornerstone Healthcare Holdings 1, LLC	Delaware
CHP Sheridan LLC	Delaware
CHP Portland LLC	Delaware
CHP Friendswood SNF, LLC	Delaware
CHP Tigard, LLC	Delaware
Healthcare Property Holding Co., LLC	Delaware
NHP Holding Co., LLC	Delaware
HP Aledo, LLC	Delaware
HP Redding, LLC	Delaware
Summit Chandler, LLC	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-212231) of Summit Healthcare REIT, Inc. of our report dated April 15, 2024, relating to the consolidated financial statements as of and for the year ended December 31, 2023, which appears in this Annual Report on Form 10-K.

/s/ BDO USA, P.C.

Costa Mesa, California
March 26, 2025

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

Summit Healthcare REIT, Inc.
Laguna Hills, California

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-212231) of Summit Healthcare REIT, Inc. (the “Company”) of our report dated March 26, 2025, relating to the Company’s consolidated financial statements as of December 31, 2024 and for the year then ended, which appears in this Annual Report on Form 10-K.

/s/ Haskell & White LLP

Irvine, California
March 26, 2025

Exhibit 31.1

CERTIFICATIONS

I, Elizabeth A. Pagliarini, certify that:

1. I have reviewed this annual report on Form 10-K of Summit Healthcare REIT, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

	/s/ Elizabeth A. Pagliarini
Date: March 26, 2025	Elizabeth A. Pagliarini *Chief Executive Officer* *(Principal Executive Officer)*

Exhibit 31.2

CERTIFICATIONS

I, Sharyn Grant, certify that:

1. I have reviewed this annual report on Form 10-K of Summit Healthcare REIT, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 26, 2025

/s/ Sharyn Grant
Sharyn Grant
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

Elizabeth A. Pagliarini and Sharyn Grant, do each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his or her knowledge, the Annual Report of Summit Healthcare REIT, Inc. on Form 10-K for the year ended December 31, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-K fairly presents in all material respects the financial condition and results of operations of Summit Healthcare REIT, Inc.

Date: March 26, 2025	/s/ Elizabeth A. Pagliarini Eilzabeth A. Pagliarini *Chief Executive Officer* *(Principal Executive Officer)*
Date: March 26, 2025	/s/ Sharyn Grant Sharyn Grant *Chief Financial Officer* *(Principal Financial Officer)*