

CareTrust REIT, Inc.  
Form DEF 14A  
March 15, 2017

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

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Filed by the Registrant    Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, For Use of the Commission only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-2

**CARETRUST REIT, INC.**

**(Name of Registrant as Specified in Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

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Form, Schedule or Registration Statement No.:

2)

Filing Party:

3)

4) Date Filed:

**CARETRUST REIT, INC.**

**905 Calle Amanecer, Suite 300**

**San Clemente, California 92673**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD APRIL 26, 2017**

TO THE STOCKHOLDERS OF CARETRUST REIT, INC.:

The annual meeting of the stockholders (the “Annual Meeting”) of CareTrust REIT, Inc. (the “Company,” “we,” “our,” or “us”) will be held at the Company’s offices located at 905 Calle Amanecer, Suite 300, San Clemente, California 92673, at 9:00 a.m. PDT, on Wednesday, April 26, 2017, for the following purposes:

- (1) to elect Mr. Gregory K. Stapley and Mr. Spencer G. Plumb to the Board of Directors as Class III directors, to serve until the Company’s 2020 annual meeting of stockholders and until their respective successors are elected and qualified;
- (2) to approve, on an advisory basis, the compensation of the Company’s named executive officers;
- (3) to approve, on an advisory basis, the frequency of future advisory votes on named executive officer compensation;
- (4) to ratify the selection of Ernst & Young LLP as the independent registered public accounting firm of the Company for the year ending December 31, 2017; and
- (5) to transact such other business as may properly come before the Annual Meeting or any postponement or adjournment thereof.

The accompanying Proxy Statement more fully describes these matters and we urge you to read the information contained in the Proxy Statement carefully. The Board of Directors recommends a vote “FOR ALL” with respect to the election of Mr. Stapley and Mr. Plumb as Class III directors, “FOR” the compensation of our named executive officers, “ONE YEAR” for the frequency of future advisory votes on named executive officer compensation, and “FOR” the ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm.

**ONLY STOCKHOLDERS OF RECORD OF THE COMPANY’S ISSUED AND OUTSTANDING COMMON STOCK AS OF THE CLOSE OF BUSINESS ON MARCH 1, 2017, THE RECORD DATE, WILL BE ENTITLED TO NOTICE OF AND TO VOTE AT THE ANNUAL MEETING AND ANY ADJOURNMENT OR POSTPONEMENT THEREOF.**

**Your vote is important. Whether or not you expect to attend the Annual Meeting, please submit your proxy as soon as possible.** In accordance with rules and regulations adopted by the U.S. Securities and Exchange Commission, we have elected to furnish our proxy materials, including our Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (our “[Annual Report](#)”), to stockholders on the Internet. Accordingly, we are mailing a Notice of Internet Availability of Proxy Materials (the “[Notice of Internet Availability](#)”) to our stockholders that did not request to receive paper copies of our proxy materials and Annual Report. The Notice of Internet Availability contains instructions on how stockholders can access those documents over the Internet and vote their shares. All stockholders who do not receive a Notice of Internet Availability, or who have not consented to receive their proxy materials electronically by e-mail, will receive a printed copy of the proxy materials by mail.

CARETRUST REIT, INC.  
BY ORDER OF THE BOARD OF DIRECTORS

GREGORY K. STAPLEY  
CHAIRMAN, PRESIDENT AND CHIEF  
EXECUTIVE OFFICER

San Clemente, California

Dated: March 15, 2017

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**CARETRUST REIT, INC.**

**905 Calle Amanecer, Suite 300**

**San Clemente, California 92673**

**Proxy Statement**

**For the Annual Meeting of Stockholders**

**to be Held on April 26, 2017**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the “Board of Directors” or the “Board”) of CareTrust REIT, Inc., a Maryland corporation, for use at the annual meeting of stockholders to be held at the Company’s offices located at 905 Calle Amanecer, Suite 300, San Clemente, California 92673, at 9:00 a.m. PDT, on Wednesday, April 26, 2017 (the “Annual Meeting”). On or about March 15, 2017, proxy materials for the Annual Meeting, including this Proxy Statement and the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (“Annual Report”), are being made available to stockholders entitled to vote at the Annual Meeting.

When used in this Proxy Statement, the terms “we,” “us,” “our,” “CareTrust REIT,” or the “Company” refer to CareTrust REIT, Inc. and its subsidiaries unless the context requires otherwise.

**IMPORTANT NOTICE REGARDING INTERNET AVAILABILITY OF PROXY MATERIALS**

This Proxy Statement and our Annual Report are available on the Internet at *www.proxyvote.com*. These materials are also available in the “Investor” section of our website at *www.caretrustreit.com*. The other information on our website does not constitute part of this Proxy Statement.

**GENERAL INFORMATION ABOUT THE ANNUAL MEETING**

**Items of Business to be Voted on at the Annual Meeting**

At the Annual Meeting, the stockholders of the Company will be asked to vote on four proposals:

the election of Mr. Gregory K. Stapley and Mr. Spencer G. Plumb to the Board of Directors as Class III directors, to serve until the Company's 2020 annual meeting of stockholders and until their respective successors are elected and qualified (Proposal 1);

approval, on an advisory basis, of the compensation of the Company's named executive officers (Proposal 2);

approval, on an advisory basis, of the frequency of future advisory votes on named executive officer compensation (Proposal 3); and

the ratification of the selection of Ernst & Young LLP ("EY") as the Company's independent registered public accounting firm for the year ending December 31, 2017 (Proposal 4).

We will also consider other business that properly comes before the Annual Meeting.

The Board of Directors recommends you vote **FOR ALL** with respect to the election to the Board of Directors of each of Mr. Stapley and Mr. Plumb as Class III directors, **FOR** the compensation of the Company's named executive officers, **ONE YEAR** for the frequency of future advisory votes on named executive officer compensation, and **FOR** the ratification of the selection of EY as the Company's independent registered public accounting firm for the year ending December 31, 2017.

### **Available Voting Methods**

**Your vote is very important.** Whether or not you plan to attend the Annual Meeting in person, you should vote your shares by using one of the methods described below to ensure your shares will be counted.

*Stockholder of record.* If your shares are registered directly in your name with our transfer agent, Broadridge Corporate Issuer Solutions, Inc., you are considered the "stockholder of record" with respect to those shares and the proxy materials were made available directly to you by the Company. As a stockholder of record, you may vote your shares in person at the Annual Meeting, or by submitting a proxy over the Internet by following the instructions provided in the Notice of Internet Availability. If you received a printed copy of the proxy materials, you can also submit a proxy by mail or telephone pursuant to the instructions provided in the proxy card enclosed with the proxy materials.





*Beneficial stockholder.* Most of our stockholders hold their shares through a broker, bank or other nominee (that is, in “street name”) rather than directly in their own name. If your shares are held in street name, you are considered the “beneficial stockholder” of such shares and the proxy materials were made available to you by the organization holding your shares. As a beneficial stockholder, you may submit your voting instructions over the Internet by following the instructions provided in the Notice of Internet Availability, or, if you received a printed copy of the proxy materials, you can also submit voting instructions by telephone or mail by following the instructions provided in the voting instruction form sent by your broker, bank or other nominee. If you are a beneficial stockholder, you may not vote your shares in person at the Annual Meeting unless you obtain a “legal proxy” from the broker, bank or other nominee that holds your shares, giving you the right to vote the shares at the Annual Meeting.

If you receive more than one Notice of Internet Availability or set of proxy materials, it probably means your shares are registered differently (for instance, under different names) or are held in more than one account. Please follow the voting instructions on each Notice of Internet Availability, proxy card or voting instruction form you receive.

### **Record Date and Quorum Requirements**

Our Board of Directors has fixed March 1, 2017 as the record date (the “Record Date”) for the determination of stockholders entitled to notice of and to vote at the Annual Meeting. As of the Record Date, 67,293,905 shares of our common stock, par value \$0.01 per share (“Common Stock”), were issued and outstanding. Each outstanding share of Common Stock will be entitled to one vote, and all shares of Common Stock will vote as a single class with respect to all matters submitted to a vote of the stockholders at the Annual Meeting.

To constitute a quorum for the conduct of business at the Annual Meeting, a majority of the votes entitled to be cast at the Annual Meeting must be present in person or represented by proxy at the Annual Meeting. Withheld votes, abstentions and “broker non-votes” will be counted as present and entitled to vote for purposes of determining the existence of a quorum.

### **Deadline for Voting Your Shares**

If you are a stockholder of record, your proxy must be received by telephone or the Internet by 11:59 p.m. Eastern Time on April 25, 2017 in order for your shares to be voted at the Annual Meeting. However, if you are a stockholder of record and you received a copy of the proxy materials by mail, you may instead mark, sign and date the proxy card you received and return it in the accompanying prepaid and addressed envelope so that it is received by the Company before the Annual Meeting in order for your shares to be voted at the Annual Meeting. If you hold your shares in street name, please provide your voting instructions by the deadline specified by the broker, bank or other nominee

that holds your shares.

### **Changing Your Vote or Revoking a Previously Submitted Proxy**

If you are a stockholder of record, you have the power to change or revoke a previously submitted proxy at any time before it is exercised by: delivering to the Secretary of the Company, before the polls close at the Annual Meeting, an instrument revoking such proxy; properly submitting a proxy on a later date via Internet or by telephone or mail; or by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not by itself constitute revocation of a proxy. For shares held in street name, you may revoke any previous voting instructions by submitting new voting instructions to the broker, bank or other nominee holding your shares by the deadline for voting specified in the voting instructions provided by your broker, bank or other nominee. Alternatively, if your shares are held in street name and you have obtained a legal proxy from the broker, bank or other nominee giving you the right to vote the shares at the Annual Meeting, any previous voting instructions will be revoked, and you may vote by attending the Annual Meeting and voting in person.

### **Required Vote**

*Election of Directors (Proposal 1):* Our Amended and Restated Bylaws (“Bylaws”) provide for a plurality voting standard for the election of directors. Under this voting standard, the two director nominees receiving the highest number of affirmative votes of the votes cast at the Annual Meeting will be elected as Class III directors to serve until the 2020 annual meeting of stockholders and until their respective successors are elected and qualified.

*Other Items (Proposals 2, 3 and 4):* Once a quorum has been established, pursuant to our Bylaws, approval of each of the other items to be submitted for a vote of the stockholders at the Annual Meeting requires the affirmative vote of a majority of all of the votes cast on the proposal at the Annual Meeting. Notwithstanding this vote standard required by our Bylaws, Proposal 2 (advisory approval of named executive officer compensation), Proposal 3 (advisory approval of the frequency of future advisory votes on named executive officer compensation) and Proposal 4 (ratification of the selection of EY as our independent registered public accounting firm) are only advisory votes and are not binding on us. Our Board of Directors will consider the outcome of the vote on each of these proposals in considering what action, if any, should be taken in response to the advisory vote by stockholders.

### **How Votes Are Counted at the Annual Meeting**

For purposes of Proposal 1 (election of directors), you may vote FOR ALL of the director nominees or FOR ALL EXCEPT one or more of the director nominees or you may WITHHOLD your vote from all of the director nominees. For Proposal 2 (advisory approval of named executive officer compensation) and Proposal 4 (ratification of the selection of EY as our independent registered public accounting firm), you may vote FOR, AGAINST or ABSTAIN. For Proposal 3 (advisory approval of the frequency of future advisory votes on named executive officer compensation), you may vote ONE YEAR, TWO YEARS, THREE YEARS or ABSTAIN.

For Proposal 1 (election of directors), shares voted WITHHOLD will not be counted in determining the outcome of a director nominee's election. For each of Proposal 2 (advisory approval of named executive officer compensation), Proposal 3 (advisory approval of the frequency of future advisory votes on named executive officer compensation) and Proposal 4 (ratification of the selection of EY as our independent registered public accounting firm), shares voted ABSTAIN will be counted as present and entitled to vote for purposes of determining the presence of a quorum, but will not be counted as a vote cast on the proposal and therefore will not be counted in determining the outcome of the proposal.

If you hold your shares in street name through a brokerage account and you do not submit voting instructions to your broker, your broker may generally vote your shares in its discretion on routine matters. However, a broker cannot vote shares held in street name on non-routine matters unless the broker receives voting instructions from the stockholder. Proposal 4 (ratification of the selection of EY as our independent registered public accounting firm) is considered a routine matter, while each of Proposal 1 (election of directors), Proposal 2 (advisory approval of named executive officer compensation) and Proposal 3 (advisory approval of the frequency of future advisory votes on named executive officer compensation) is considered a non-routine matter. Accordingly, if you hold your shares in street name and you do not submit voting instructions to your broker, your broker may exercise its discretion to vote your shares on Proposal 4, but will not be permitted to vote your shares on any of the other items at the Annual Meeting. If your broker exercises this discretion, your shares will be counted as present and entitled to vote for determining the presence of a quorum at the Annual Meeting and will be voted on Proposal 4 in the manner directed by your broker, but your shares will constitute "broker non-votes" for each of Proposals 1, 2 and 3. Broker non-votes will not be counted in determining the outcome of these items.

If you properly submit a proxy or voting instructions but do not indicate your specific voting instructions on one or more of the items listed above in the Notice of Annual Meeting, your shares will be voted as recommended by the Board of Directors on those items.

### **Solicitation of Proxies**

The expenses of preparing, assembling, printing and mailing the Notice of Internet Availability, this Proxy Statement and the materials used in the solicitation of proxies will be borne by the Company. Proxies will be solicited through the Internet and the mail and may be solicited by our officers, directors and employees in person or by telephone or email. Our officers, directors and employees will not receive additional compensation for any such solicitation efforts. We do not anticipate paying any compensation to any other party for the solicitation of proxies but may reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation material to beneficial owners. We may retain the services of a proxy solicitation firm if, in the Board's view, it is deemed necessary or advisable. Although we do not currently expect to retain such a firm, we estimate that the fees of any such firm retained by us could be up to \$50,000 plus out-of-pocket expenses, all of which would be paid by us.

## PROPOSAL 1: ELECTION OF DIRECTORS

### General

Our Board of Directors is currently comprised of five directors. Our charter, as amended and restated ("Charter"), provides for a classified Board of Directors consisting of three classes of directors, each as nearly equal in number as possible as determined by our Board of Directors, with each class of directors serving staggered three-year terms. As a result, a portion of our Board of Directors will be elected each year. Messrs. Stapley and Plumb have been designated as Class III directors and their current term expires at the Annual Meeting. Mr. Barbieri has been designated a Class I director and his current term expires at our 2018 annual meeting of stockholders. Messrs. Kline and Lindahl have been designated Class II directors and their current term expires at our 2019 annual meeting of stockholders.

On the recommendation of the nominating and corporate governance committee of our Board of Directors, our Board of Directors selected Mr. Gregory K. Stapley and Mr. Spencer G. Plumb as its nominees for election to our Board at the Annual Meeting as Class III directors to serve for a term of three years until the 2020 annual meeting of stockholders and until their respective successors are duly elected and qualified or until his earlier resignation or removal. Mr. Spencer G. Plumb was appointed to our Board of Directors on February 28, 2017 and was initially identified as a potential director candidate by Mr. Gregory K. Stapley, our Chief Executive Officer.

Messrs. Stapley and Plumb have each consented to being named in the Proxy Statement and to serve as a director if elected. We have no reason to believe that either Mr. Stapley or Mr. Plumb will be unable or unwilling for good cause to serve if elected. In the event Mr. Stapley or Mr. Plumb is unable for any reason or unwilling for good cause to serve at the time of the Annual Meeting, the persons who are designated as proxy holders may exercise discretionary authority to vote for a substitute nominee selected by our Board of Directors or our Board of Directors may reduce the number of directors on the Board.

### Directors and Director Nominees

Set forth below is biographical information about Messrs. Stapley and Plumb, as well as our continuing directors. Such information is current as of the date of this Proxy Statement. The information presented below for each director includes the specific experience, qualifications, attributes and skills that led us to the conclusion that such director should be nominated to serve on our Board of Directors in light of our business.

Name	Position with the Company	Age
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			<b>Director Since</b>
Allen C. Barbieri	Director, Nominating and Corporate Governance Committee Chairman	58	2015
Jon D. Kline	Director, Audit Committee Chairman	50	2014
David G. Lindahl	Director, Compensation Committee Chairman	57	2014
Spencer G. Plumb	Director	42	2017
Gregory K. Stapley	Chairman, President and Chief Executive Officer	57	2013

***Nominees for Election to the Board of Directors (Class III Directors)***

*Gregory K. Stapley* has served as a member of our Board of Directors since the formation of CareTrust REIT in 2013. Mr. Stapley is our Chairman, President and Chief Executive Officer. He has served as President and Chief Executive Officer since our inception in 2013 and was elected Chairman following the Spin-Off (as defined below). Prior to joining CareTrust REIT, he served as Executive Vice President and Secretary of The Ensign Group, Inc. (“Ensign”), the company from which CareTrust REIT was spun off in 2014, where he was instrumental in assembling the real estate portfolio that was transferred to CareTrust REIT in the Spin-Off. A co-founder of Ensign, he also served as Ensign’s Vice President, General Counsel and Assistant Secretary beginning shortly after Ensign’s founding in 1999. Mr. Stapley previously served as General Counsel for the Sedgwick Companies, an Orange County-based manufacturer, wholesaler and retailer with 192 retail outlets across the United States. Prior to that, Mr. Stapley was a member of the Phoenix law firm of Jennings, Strouss & Salmon PLC, where his practice emphasized real estate and business transactions and government relations. Having served as Executive Vice President of Ensign since 2009 and as Vice President and General Counsel of Ensign from 1999 to 2009, Mr. Stapley brings to the Board extensive management experience, critical knowledge of our properties, substantial industry contacts and knowledge and understanding of the healthcare business in general.

*Spencer G. Plumb* has served as a member of our Board of Directors since his appointment to the Board in 2017. Mr. Plumb serves as President and Chief Executive Officer of Sabin Holdings, LLC, a global real estate platform launched in 2016. Prior to Sabin Holdings, LLC, Mr. Plumb co-founded Excel Trust, Inc. (formerly NYSE:EXL) in 2009 and served as its President and Chief Operating Officer and as a member of its Board of Directors. Excel Trust, Inc. was acquired and taken private by Blackstone Property Partners in July 2015. In addition, Mr. Plumb has held various positions over his career with other public and private companies, including Excel Realty Holdings, Price Legacy Corporation, Excel Legacy Corporation, New Plan Excel Realty Trust, Excel Realty Trust, and Excel Interfinancial Corporation. Mr. Plumb also serves on the investment committee of The Sabin Children's Foundation, whose mission is to relieve the distress of children around the world. Mr. Plumb received a Bachelor of Arts in Economics from Brigham Young University. Mr. Plumb's leadership experience, his executive leadership experience in a REIT, and general real estate and REIT background qualify him to serve on our Board of Directors.

### ***Class I Director***

*Allen C. Barbieri* has served as a member of our Board of Directors since his appointment to the Board in 2015. Mr. Barbieri currently serves as the Chairman and Chief Executive Officer of Biosynthetic Technologies, LLC, and has served in this role since December 2009. Prior to this, Mr. Barbieri served on the Board of Directors and as Chief Executive Officer of Lancer Orthodontics, Inc. from April 2004 to June 2008. From 1999 to April 2004, Mr. Barbieri was semi-retired while serving as a director on several boards of directors of private companies. Mr. Barbieri has been a director of Biomerica, Inc. since 1999. From 1998 to 1999, Mr. Barbieri served as President and Chief Financial Officer of BUY.COM, a large internet retailer financed with over \$200 million in venture capital. From 1994 to 1998, Mr. Barbieri served as the President and Chief Executive Officer of Pacific National Bank, a commercial bank that was sold to US Bank in 1998. While at Pacific National Bank, Mr. Barbieri served as the Chief Executive Officer of Alta Residential Mortgage Trust, a mortgage REIT, whose largest stockholder and cofounder was Lehman Brothers. Prior to that, Mr. Barbieri served as President of Capital Bancorp, a commercial bank holding company, Chief Financial Officer of First Federal Bank, and as an Investment Banking Associate of Merrill Lynch Capital Markets in New York. Mr. Barbieri holds a Bachelor's Degree in Business Management from Brigham Young University and an MBA from the Massachusetts Institute of Technology, Sloan School of Management. Mr. Barbieri's leadership experience, his extensive management experience, financial markets experience, general financial knowledge and his executive leadership experience in a REIT qualify him to serve on our Board of Directors.

### ***Class II Directors***

*Jon D. Kline* has served as a member of our Board of Directors since his appointment to the Board in 2014. Mr. Kline is the Founder and Chief Executive Officer of Clearview Hotel Capital, LLC, a privately-held hotel investment and advisory company focused on acquiring and asset-managing hotels in urban and unique locations. Mr. Kline founded Clearview Hotel Capital in 2007. He previously served as President and Chief Financial Officer of Sunstone Hotel Investors, Inc. (NYSE:SHO). Prior to Sunstone, Mr. Kline oversaw the U.S. hospitality and leisure investment banking practice at Merrill Lynch & Co., with responsibility for lodging, gaming, restaurants and other leisure



industries. Prior to Merrill Lynch, Mr. Kline was a real estate investment banker at Smith Barney, focused on lodging and other real estate asset classes. Prior to Smith Barney, Mr. Kline was an attorney with Sullivan & Cromwell LLP. Mr. Kline holds a B.A. in Economics from Emory University and a J.D. from New York University School of Law. Mr. Kline's executive leadership experience in a publicly-traded REIT, his professional and educational background, his network of relationships with real estate professionals and his extensive background and experience in public markets and in real estate and finance transactions qualify him to serve on the Board.

*David G. Lindahl* has served as a member of our Board of Directors since his appointment to the Board in 2014. Mr. Lindahl is a partner and Managing Director of HPSI, Inc. ("HPSI"), a nationwide Group Purchasing Organization with operations serving over 10,000 hospitals, post-acute care providers, educational, hospitality and institutional clients, which collectively purchase over \$1 billion of goods and services through HPSI each year. He has been affiliated with HPSI in various capacities since 1981. During a portion of that time, he also served as President of HPSI affiliate The Home Place, an operating pediatric sub-acute facility. Mr. Lindahl's executive leadership experience in the healthcare industry, his entrepreneurship and creativity, and his network of relationships with healthcare operators and their trade associations across the United States, particularly the many smaller hospital systems and post-acute providers which constitute much of our target client base, qualify him to serve on the Board.

**Recommendation of the Board of Directors**

Our Board of Directors unanimously recommends that the stockholders vote **FOR ALL** of the director nominees listed above. Unless otherwise instructed, the proxy holders will vote the proxies received by them **FOR ALL** the director nominees.

## **CORPORATE GOVERNANCE**

### **Director Independence**

Our Board of Directors has affirmatively determined that none of Allen C. Barbieri, Jon D. Kline, David G. Lindahl or Spencer G. Plumb has a relationship that, in the opinion of the Board of Directors, would interfere with the director's exercise of independent judgment in carrying out his responsibilities as a director and that each such director is an independent director under the applicable rules of The NASDAQ Stock Market LLC ("NASDAQ"). In this Proxy Statement, the aforementioned directors are referred to individually as an "Independent Director" and collectively as the "Independent Directors." The Board of Directors also previously determined that Gary B. Sabin, during his service on our Board of Directors until his resignation effective August 1, 2016, was independent under the applicable rules of NASDAQ. Mr. Stapley does not qualify as an independent director because he is employed as our President and Chief Executive Officer.

### **Board Leadership Structure**

The Board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board, as the Board believes it is in the best interests of the Company to make that determination based upon the position and direction of the Company and the membership of the Board. The Board has determined that having the Company's current Chief Executive Officer serve as Chairman makes the best use of the Chief Executive Officer's extensive knowledge of the Company and its industry, as well as fostering greater communication between the Company's management and the Board.

### **Board Role in Risk Oversight**

Our Board of Directors is responsible for overseeing the Company's management of risk. The Board strives to effectively oversee the Company's enterprise-wide risk management in a way that balances managing risks while enhancing the long-term value of the Company for the benefit of the stockholders. The Board of Directors understands that its focus on effective risk oversight is critical to setting the Company's tone and culture towards effective risk management. To administer its oversight function, the Board seeks to understand the Company's risk philosophy by having discussions with management to establish a mutual understanding of the Company's overall appetite for risk. Our Board of Directors maintains an active dialogue with management about existing risk management processes and how management identifies, assesses and manages the Company's most significant risk exposures. Our Board expects frequent updates from management about the Company's most significant risks so as to enable it to evaluate whether management is responding appropriately.

Our Board relies on each of its committees to help oversee the risk management responsibilities relating to the functions performed by such committees. Our audit committee periodically discusses with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies. Our nominating and corporate governance committee oversees risks relating to the Company's corporate compliance programs and assists the Board and management in promoting an organizational culture that encourages commitment to ethical conduct and a commitment to compliance with the law. Each of these committees is required to make regular reports of its actions and any recommendations to the Board, including recommendations to assist the Board with its overall risk oversight function.

Our Board of Directors believes that the processes it has established to administer the Board's risk oversight function would be effective under a variety of leadership frameworks and therefore do not have a material effect on our leadership structure described under "—Board Leadership Structure" above.

*Compensation Risk Assessment.* The compensation committee identifies and considers risks related to our executive compensation, including during its review and approval of our executive compensation program. Our compensation programs are designed to reward our named executive officers and other employees for the achievement of the Company's corporate strategies, business objectives and the creation of long-term value for stockholders, while at the same time avoiding the encouragement of unnecessary or excessive risk-taking. The compensation committee has concluded that the current executive compensation program does not encourage inappropriate or excessive risk-taking. In making its determination, the compensation committee noted that each named executive officer's direct compensation under our executive compensation program consists primarily of a fixed base salary, an annual incentive bonus opportunity and long-term equity incentive awards. Annual incentive bonuses are balanced with long-term equity incentives, which are generally subject to a multi-year vesting schedule.

## Meetings and Attendance

During the year ended December 31, 2016, our Board of Directors held five meetings. Each member of the Board attended at least 75 percent of the aggregate of all meetings of our Board and meetings of any of our Board committees on which he served during the period that he served in fiscal 2016. In addition, the Independent Directors meet in executive sessions at which only Independent Directors are present in conjunction with each regularly scheduled meeting of the Board of Directors.

Although we do not have a formal policy regarding attendance by members of our Board of Directors at our annual meeting of stockholders, we encourage our directors to attend. All incumbent directors which served at the time of the 2016 annual meeting of stockholders, other than Gary B. Sabin, attended the 2016 annual meeting of stockholders.

## Committees of the Board of Directors

Our Board of Directors has an audit committee, a compensation committee and a nominating and corporate governance committee. Each such committee has a written charter, a copy of which is posted on our web site at [www.caretrustreit.com](http://www.caretrustreit.com) under the Investors—Corporate Governance section. The Board of Directors and each of its committees may meet, at times, without management present. The following table presents the composition of the committees of our Board of Directors as of the date of this Proxy Statement:

<b>Director</b>	<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Nominating and Corporate Governance Committee</b>
Allen C. Barbieri			
Jon D. Kline			
David G. Lindahl			
Spencer G. Plumb			
Gregory K. Stapley			

Committee Member

Committee Chair

The Board has not yet determined which committees of the Board, if any, on which Mr. Plumb will serve.

*Compensation Committee.* Our compensation committee currently consists of Messrs. Barbieri, Kline and Lindahl. Mr. Lindahl serves as chairman of the compensation committee. All members of the compensation committee meet the independence requirements set forth by the NASDAQ listing standards. Each member of the compensation committee is a “non-employee director” (within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) and an “outside director” (within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”)). Our compensation committee held five meetings in 2016. The primary functions of this committee include, among other things, to:

review executive compensation plans in light of the Company’s goals and objectives with respect to such plans, and adopt new, or amend existing, executive compensation plans as appropriate;

evaluate the performance of our Chief Executive Officer and other executive officers;

review and approve the compensation of our executive officers, including salary and bonus awards;

review and make recommendations to the Board regarding compensation to directors for service on the Board and its committees;

establish overall employee compensation policies and recommend to our Board of Directors major compensation programs;

administer our various employee benefit and equity incentive programs;

review and discuss with management our Compensation Discussion and Analysis and recommend to the Board that the Compensation Discussion and Analysis be included in the annual proxy statement or annual report, as applicable; and

prepare an annual report on executive compensation for inclusion in our proxy statement.

The compensation committee may delegate any or all of its responsibilities to a subcommittee consisting of at least two members to the extent consistent with the Company's Charter and Bylaws, applicable law and the rules and regulations of NASDAQ. The compensation committee has no current intention to delegate any of its other responsibilities to a subcommittee. The compensation committee may confer with the Board in determining the compensation for the Chief Executive Officer. In determining compensation for executive officers other than the Chief Executive Officer, the compensation committee considers, among other things, the recommendations of the Chief Executive Officer.

Pursuant to its charter, the compensation committee is authorized to retain or obtain the advice of compensation consultants, outside counsel, experts or other advisors to advise the compensation committee with respect to amounts or forms of executive and director compensation or in carrying out its other responsibilities. For fiscal 2016, the compensation committee retained Christenson Advisory Services ("Christenson") as its compensation consultant to perform the compensation-related services described below in the Compensation Discussion and Analysis. As described further under "Compensation Discussion and Analysis — Role of the Compensation Consultant" below, the compensation committee has assessed the independence of Christenson and has concluded that its engagement of Christenson does not raise any conflict of interest with the Company or any of its directors or executive officers.

*Audit Committee.* Our audit committee currently consists of Messrs. Barbieri, Kline and Lindahl. Mr. Kline serves as chairman of the audit committee. All members of the audit committee meet the independence requirements set forth by the Securities and Exchange Commission (the "SEC") and the NASDAQ listing standards. Our audit committee held five meetings in 2016. Each member of our audit committee is financially literate in accordance with the NASDAQ listing standards. Our Board of Directors has determined that each of Messrs. Kline and Barbieri qualify as an "audit committee financial expert" as that term is defined in the rules and regulations established by the SEC. This designation is a disclosure requirement of the SEC related to the experience and understanding of each of Messrs. Kline and Barbieri with respect to certain accounting and auditing matters. The designation does not impose on Messrs. Kline or Barbieri any duties, obligations or liability that are greater than those generally imposed as a member of our audit committee and our Board of Directors, and such designation as an audit committee financial expert pursuant to this SEC requirement does not affect the duties, obligations or liability of any other member of our audit committee or Board of Directors. The primary functions of this committee include, among other things, to:

be responsible for the appointment, compensation, retention and oversight of the work of our independent registered public accounting firm;

review and approve in advance all permitted non-audit engagements and relationships between us and our independent registered public accounting firm;

evaluate our independent registered public accounting firm's qualifications, independence and performance;

review and discuss with our independent registered public accounting firm their audit plan, including the timing and scope of audit activities;

review our consolidated and combined financial statements;

review our critical accounting policies and practices;

review the adequacy and effectiveness of our accounting and internal control policies and procedures;

review with our management all significant deficiencies and material weaknesses in the design and operation of our internal controls;

review with our management any fraud that involves management or other employees who have a significant role in our internal controls over financial reporting;

establish procedures for the receipt, retention and treatment of complaints regarding internal accounting controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;

review on an ongoing basis and approve or disapprove related party transactions;

prepare the audit committee report required by the rules of the SEC to be included in our annual proxy statement; and

discuss with our management and our independent registered public accounting firm the results of our annual audit and the review of our quarterly consolidated and combined financial statements.



Representatives of our independent registered public accounting firm and our internal financial personnel regularly meet privately with and have unrestricted access to the audit committee.

*Nominating and Corporate Governance Committee.* Our nominating and corporate governance committee currently consists of Messrs. Barbieri, Kline and Lindahl. Mr. Barbieri serves as the chairman of the nominating and corporate governance committee. Our nominating and corporate governance committee held one meeting in 2016. The primary responsibilities of the nominating and corporate governance committee are to, among other things:

assist in identifying, recruiting and, if appropriate, interviewing candidates qualified to become members of our Board of Directors, consistent with criteria approved by our Board of Directors and the nominating and corporate governance committee;

recommend to our Board of Directors individuals qualified to serve as directors and on committees of our Board of Directors;

advise our Board of Directors with respect to board composition, procedures and committees;

recommend to our Board of Directors certain corporate governance matters and practices; and

conduct an annual self-evaluation of our Board of Directors.

### **The Company's Director Nomination Process**

As indicated above, our nominating and corporate governance committee oversees the director nomination process. This committee is responsible for assisting the Board of Directors in establishing minimum qualifications for director nominees, including the qualities and skills that members of our Board of Directors are expected to possess. Under our nominating and corporate governance committee charter, which is available at our website at [www.caretrustreit.com](http://www.caretrustreit.com), these criteria include the candidate's knowledge, experience, skills, expertise and diversity. Our nominating and corporate governance committee identifies and evaluates individuals qualified to become members of our Board of Directors. Our nominating and corporate governance committee then recommends that our Board of Directors select the director nominees for the election at the next annual meeting of stockholders, or to fill vacancies on our Board of Directors occurring between annual meetings of our stockholders.

Although we do not have a formal diversity policy, we believe it is important to have an appropriate mix of diversity for the optimal functionality of the Board of Directors. Our nominating and corporate governance committee charter requires that the governance committee consider each candidate's qualities skills and our nominating and corporate governance committee considers each candidate's background, diversity, ability, judgment, skills and experience in the context of the needs and current make-up of the Board of Directors when evaluating director nominees. The Board of

Directors believes it is important for each member of the Board of Directors to possess skills and knowledge in the areas of leadership of large, complex organizations, finance, strategic planning, legal, government relations and relevant industries, especially the healthcare and real estate industries. These considerations help the Board of Directors as a whole to have the appropriate mix of skills and experiences for the optimal functioning of the Board of Directors in its oversight of our Company. As part of its periodic self-assessment process, the nominating and corporate governance committee annually reviews and evaluates its performance, including overall composition of the Board of Directors and the criteria that it uses for selecting nominees in light of the specific skills and characteristics necessary for the optimal functioning of the Board of Directors in its oversight of our Company.

The nominating and corporate governance committee will consider candidates for election or appointment to the Board recommended by stockholders. If a stockholder wishes to recommend a director candidate, he or she should submit such recommendation in writing to the Chair, Nominating and Corporate Governance Committee, care of the Secretary of the Company, together with information about the stockholder and the candidate otherwise required for director nominations by a stockholder pursuant to Section 11 of Article II of our Bylaws, a copy of which will be made available upon request. The nominating and corporate governance committee may request additional information concerning the director candidate as it deems reasonably required to determine the eligibility and qualification of the director candidate to serve as a member of the Board of Directors. Stockholders recommending candidates for consideration by our Board of Directors in connection with the next annual meeting of stockholders should submit their written recommendation no later than January 1 of the year of that meeting. All recommendations will be brought to the attention of the nominating and corporate governance committee, and the nominating and corporate governance committee shall evaluate such director nominees in accordance with the same criteria applicable to the evaluation of all director nominees.

Stockholders who wish to nominate a person for election as a director in connection with an annual meeting of stockholders (as opposed to making a recommendation to the nominating and corporate governance committee as described above) must deliver written notice to our Secretary in the manner described in Section 11 of Article II of our Bylaws and within the time periods set forth at the end of this Proxy Statement under the section “Stockholder Proposals and Director Nominations for 2018 Annual Meeting of Stockholders.”

### **Communications with Directors**

Stockholders who would like to send communications to our Board may do so by submitting such communications to our Secretary at CareTrust REIT, Inc., 905 Calle Amanecer, Suite 300, San Clemente, California 92673. Stockholders may also communicate with our Board of Directors as a group using the form available on our website at [www.caretrustreit.com](http://www.caretrustreit.com) under “Contact the Board” in the Investors—Corporate Governance section. We suggest, but do not require, that such submissions include the name and contact information of the stockholder making the submission and a description of the matter that is the subject of the communication. Communications are distributed to the Board, or to any individual directors as appropriate, depending on the facts and circumstances outlined in the communication. In that regard, our Board of Directors requests that certain items which are unrelated to the duties and responsibilities of the Board be excluded. In addition, material that is unduly hostile, threatening, illegal or similarly unsuitable will be excluded, with the provision that any communication that is filtered out must be made available to any non-management director upon request.

### **Code of Business Conduct and Ethics**

We have adopted a code of business conduct and ethics that applies to all employees, including employees of our subsidiaries, as well as each member of our Board of Directors. The code of business conduct and ethics is available at our website at [www.caretrustreit.com](http://www.caretrustreit.com) under the Investors—Corporate Governance section. We intend to satisfy any disclosure under applicable rules of the SEC or NASDAQ regarding an amendment to, or waiver from, a provision of this code of business conduct and ethics by posting such information on our website, at the address specified above.

**EXECUTIVE OFFICERS**

The following table presents information regarding our current executive officers. The information is current as of the date of this Proxy Statement:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Gregory K. Stapley	57	Chairman, President and Chief Executive Officer
William M. Wagner	51	Chief Financial Officer and Treasurer
David M. Sedgwick	41	Vice President of Operations

Information on the business background of Gregory K. Stapley is set forth above under “Proposal 1 — Directors and Director Nominees.”

*William M. Wagner* has served as our Chief Financial Officer and Treasurer since December 2013 and also serves as our principal accounting officer. Mr. Wagner previously served as our Secretary from December 2013 to October 2016. Mr. Wagner served as Chief Financial Officer of First Team Real Estate, a private real estate brokerage company, from 2012 to 2013. From 2008 to 2012, Mr. Wagner served as Senior Vice President and Chief Accounting Officer of Nationwide Health Properties, Inc., a healthcare REIT. From 2004 to 2008, Mr. Wagner served as Senior Vice President and Chief Accounting Officer of Sunstone Hotel Investors, Inc., a lodging REIT. From 2001 to 2004, Mr. Wagner served as Vice President, Financial Reporting of The TriZetto Group, Inc. From 1999 to 2001, Mr. Wagner worked for two internet start-up ventures. From 1997 to 1999, Mr. Wagner served as Director, Financial Reporting of Irvine Apartment Communities, Inc., a multifamily REIT. From 1990 to 1997, Mr. Wagner worked for EY Kenneth Leventhal Real Estate Group and served real estate clients including several REITs. Mr. Wagner received a B.A. degree in Business Administration from the University of Washington and is a Certified Public Accountant (inactive) in the State of California.

*David M. Sedgwick*. Mr. Sedgwick has served as our Vice President of Operations since May 2014. He is a licensed nursing home administrator and, prior to joining CareTrust REIT, served in several key leadership roles at Ensign since 2001. During 2013, he operated Ensign’s newly-built Medicare-only skilled nursing facility (“SNF”) in Denver, Colorado, and simultaneously supported all of Ensign’s skilled nursing operations in Colorado. During 2012, he served as President of Ensign’s Maryland-based urgent care franchise venture, Doctors Express. From 2007 to 2012, Mr. Sedgwick served as Ensign’s Chief Human Capital Officer, with responsibility for recruiting and training more than 100 licensed nursing home administrators and directing Ensign University, which included Ensign’s administrator training program. From 2002 to 2007, he operated three Ensign SNFs in two states. Mr. Sedgwick holds a B.S. in Accounting from Brigham Young University and an M.B.A. from the University of Southern California. Mr. Sedgwick is Mr. Stapley’s brother-in-law.

## compensation discussion and analysis

This Compensation Discussion and Analysis describes the material elements of the Company's named executive officer compensation program and analyzes the compensation decisions made for our executive officers included in the Summary Compensation Table below (the "named executive officers").

### 2016 Named Executive Officers

Our named executive officers for 2016 were:

Gregory K. Stapley – Chief Executive Officer  
William M. Wagner – Chief Financial Officer  
David M. Sedgwick – Vice President, Operations

Because only three individuals served as our executive officers at any time during 2016, we have only three named executive officers for 2016.

### Introduction

We believe that 2016 was a successful year for the Company. Our named executive officers successfully executed our business plan during 2016 and built upon our operating and financial performance results achieved since we became a separate publicly traded company on June 1, 2014 following the separation of Ensign's healthcare business and its real estate business into two separate and independent publicly traded companies through the distribution of all of the outstanding shares of Common Stock of CareTrust REIT to Ensign stockholders on a pro rata basis (the "Spin-Off"). Our operating and financial performance highlights achieved in 2016 included:

Posting net income of \$0.52, normalized FFO (as defined below) of \$1.10 and normalized funds available for distribution ("FAD") of \$1.17 in 2016, compared to net income of \$0.26, normalized FFO of \$0.94 and normalized FAD of \$1.04 in 2015, all per diluted weighted-average common share;<sup>1</sup>

Raising \$186.7 million net proceeds in two underwritten public equity offerings;

Acquiring 33 properties (consisting of 17 skilled nursing facilities, 13 assisted living facilities, and three skilled nursing campuses), initiating seven new net-lease tenant relationships, and expanding four existing net-lease tenant relationships;

Making two preferred equity investments to develop two skilled nursing facilities;

Investing approximately \$288.0 million (inclusive of transaction costs) at a blended initial cash yield of 9.0%;

Garnering multiple credit rating increases, with Moody's raising both its corporate credit rating on CareTrust REIT and its rating on CareTrust REIT's 5.875% Senior Unsecured Notes to B1 (from B2), each with a stable outlook, and Standard & Poor's raising both its corporate credit rating on CareTrust REIT to B+ (from B), with a stable outlook, and its issue rating on CareTrust REIT's 5.875% Senior Unsecured Notes to BB- (from B+); and

Generating total shareholder return of approximately 46.86% (versus approximately 7.42% for the SNL US REIT Healthcare Index) for the year ended December 31, 2016.

<sup>1</sup> See Appendix A for a reconciliation of normalized FFO and normalized FAD to net income computed in accordance with accounting principles generally accepted in the United States ("GAAP").

## **Executive Compensation Program Highlights**

Highlights of our executive compensation program include:

Our executive compensation philosophy is to pay our named executive officers what we believe are below-market base salaries, and to award performance-based annual cash incentive opportunities that factor in these lower base salary levels to provide a meaningful annual cash compensation opportunity for over-performance;

Annual equity and cash incentive bonuses are performance based and tied to the achievement of four performance metrics that we believe are aligned with the Company's corporate strategies, business objectives and the creation of long-term value for our stockholders, with individual weightings and metrics tailored to each named executive officer's role;

A modified, performance-based restricted stock award program, under which performance is still measured during 2016, but with any shares earned (based on 2016 performance) now granted in 2017 subject to a three-year vesting period; and

Our named executive officers are employed on "at will" basis and do not have employment or severance agreements with the Company.

## **Objectives of Our Executive Compensation Program**

Our executive compensation program is designed to achieve the following objectives:

Attract, motivate and retain quality executive officers to ensure the success and growth of the Company;

Align executive compensation with the Company's corporate strategies, business objectives and the creation of long-term value for our stockholders;

Connect short- and long-term incentive awards to performance metrics that we believe drive the performance of our Common Stock over the long-term;

Utilize various performance metrics to minimize the potential for risk associated with over-weighting any particular performance metric; and

Link our named executive officers' interests with our stockholders' interests by tying executive compensation to our performance and increases in long-term stockholder value.

### **Role of the Compensation Committee**

Pursuant to its charter, the compensation committee has the authority to determine the amount of compensation given to each of the named executive officers. The compensation committee annually evaluates the performance of each of the named executive officers and determines compensation levels based on its performance evaluation. The compensation committee also, among other things, approves our executive compensation plans and policies, and is responsible for administering our equity incentive plan, including approving award grants under the plan. In performing its duties, the compensation committee is authorized to consider the recommendations of our Chief Executive Officer when determining the compensation of the other named executive officers.

Each element of our executive compensation program was unanimously approved by the compensation committee. All compensation committee members are independent under applicable NASDAQ rules. None of our named executive officers is a member of our compensation committee or otherwise had any role in determining the compensation of our other named executive officers, other than the Chief Executive Officer's recommendations to the compensation committee as to the compensation of the other named executive officers.

### **Role of the Compensation Consultant**

Pursuant to its charter, the compensation committee is authorized to retain or obtain the advice of compensation consultants, outside counsel, experts or other advisors to advise the compensation committee with respect to amounts or forms of executive compensation or in carrying out its other responsibilities. In late 2015 and during 2016, the compensation committee retained Christenson as its independent compensation consultant. Christenson specializes in providing compensation advisory services to the global real estate industry. The compensation committee is directly responsible for the appointment, compensation and oversight of Christenson's work. The compensation committee has assessed the independence of Christenson pursuant to the SEC and NASDAQ rules and has concluded that no conflict of interest exists with respect to Christenson's services to the compensation committee. Christenson does not perform any services for us, except for compensation-related services on behalf of, and as instructed by, the compensation committee.



In late 2015 and during 2016, Christenson performed a comprehensive review of our executive compensation program. Christenson's services included providing advice with respect to the composition of our two peer groups described below, performing a compensation survey utilizing the two peer groups for each of the named executive officers, providing recommendations on appropriate base salary, target annual bonus and long-term incentive levels, providing recommendations on our annual incentive plan design and offering alternatives for potential long-term equity award structures.

### **Peer Companies**

Based on the advice of Christenson, the compensation committee determined to use two separate peer groups as part of our 2016 compensation survey. Our objective in selecting our first peer group was to include the group of other public real estate companies that we believe we most directly compete with for both business and executive talent. The compensation committee believes it is important to understand what our direct competitors are paying their executives, and uses this information as one of the data points it considers when determining the compensation levels for the named executive officers. We refer to this peer group as our "Direct Competitor Peers," and it includes the following nine companies:

#### **Direct Competitor Peers**

Alexandria Real Estate Equities, Inc.  
Care Capital Properties, Inc.  
Healthcare Realty Trust Incorporated  
LTC Properties, Inc.  
Medical Properties Trust, Inc.  
National Health Investors, Inc.  
Omega Healthcare Investors, Inc.  
Physicians Realty Trust  
Sabra Health Care REIT, Inc.

Our objective in selecting our second peer group was to include a group of similarly-sized public real estate companies. In selecting this peer group, we performed a market capitalization screen of public real estate companies in December 2015 and selected companies having market capitalizations ranging from approximately \$700 million to \$2 billion. In paring down the group of public real estate companies satisfying our market capitalization criteria, we emphasized the inclusion of companies that we believe are either our competitors or who have similar characteristics to the Company. Our objective in selecting the companies in this peer group was to position the Company's market capitalization at approximately the 50<sup>th</sup> percentile level of the market capitalizations of the peer group of companies. The compensation committee believes it is important to understand what similarly-sized public real estate companies are paying their executives, and uses this information as one of the data points it considers when determining the compensation levels for the named executive officers. We refer to this peer group as our "Compensation Peers," and it includes the following nine companies:

**Compensation Peers**

Agree Realty Corporation

Chatham Lodging Trust

Coresite Realty Corporation

Getty Realty Corp.

LTC Properties, Inc.

Monmouth Real Estate Investment Corporation

One Liberty Properties, Inc.

Physicians Realty Trust

Urstadt Biddle Properties Inc.

The purpose of our 2016 compensation survey was to provide the compensation committee with information on the compensation levels at the Direct Competitor Peers and Compensation Peers. This information was used by the compensation committee to inform its decision-making process with respect to the 2016 compensation amounts for the named executive officers. However, the compensation committee does not rigidly adhere to a peer-based benchmarking strategy in setting compensation amounts for our named executive officers. Instead, the peer group compensation information is one of many data points considered by the compensation committee in making subjective compensation decisions using its business judgment. Other factors considered include, but are not limited to, our objective of attracting and retaining highly qualified executives and our emphasis on performance-based compensation that is described in more detail below.

### **Role of Stockholder Say-on-Pay Votes**

We will be providing our stockholders with the opportunity to cast a non-binding, advisory vote on the compensation of our named executive officers. This vote is known as the “say-on-pay” proposal, and is being provided for the first time now that we are no longer an “emerging growth company” as defined in the Jumpstart Our Business Startups Act enacted in April 2012. The compensation committee will consider the outcome of this year’s say-on-pay proposal when making future compensation decisions for the named executive officers.

### **Material Elements of Compensation**

#### ***2016 Base Salaries***

We pay each named executive officer a fixed base salary to provide each executive with a minimum level of cash compensation. One aspect of our executive compensation philosophy is to pay base salary levels that are meaningfully below the base salary amounts generally paid by our Direct Competitor Peers and Compensation Peers to their similarly-situated executives.

In contrast to our Direct Competitor Peers and Compensation Peers, and as explained in more detail below, our compensation philosophy is to provide our named executive officers with the opportunity to earn a comparatively larger annual performance-based cash bonus opportunity, so that a greater portion of the named executive officers’ total annual cash opportunity is at risk and tied to performance metrics that we believe drive the performance of our Common Stock over the long-term.

Decisions regarding adjustments to base salaries are made at the discretion of our compensation committee, after considering each executive's current base salary, job responsibilities, performance, the base salaries paid by our Direct Competitor Peers and Compensation Peers to similarly situated executives and our base salary compensation philosophy described above. No named executive officers are entitled to any automatic base salary increases.

The compensation committee reviewed each named executive officer's base salary in February 2016 and decided to increase the 2016 base salary of each named executive officer as follows: Mr. Stapley's base salary was increased from \$387,152 to \$450,000; Mr. Wagner's base salary was increased from \$252,350 to \$280,000; and Mr. Sedgwick's base salary was increased from \$205,000 to \$230,000. Based on our 2016 compensation survey, we believe each named executive officer's 2016 base salary is below the 25<sup>th</sup> percentile of the base salaries paid by both the Direct Competitor Peers and the Compensation Peers to their similarly situated executives (except that Mr. Wagner's base salary, while below the 25<sup>th</sup> percentile of the Direct Competitor Peers, was modestly above the 50<sup>th</sup> percentile of the Compensation Peers).

### ***2016 Annual Cash Incentive Awards***

*In General.* We provide our named executive officers with a performance-based annual cash incentive compensation opportunity to motivate and reward the executives for their achievement of annual financial and operational goals and other strategic objectives measured over the year. We believe the annual cash incentive opportunity helps further our compensation objective of aligning executive compensation with achievement of the Company's corporate strategies, business objectives and the creation of long-term value for our stockholders.

Our executive compensation philosophy is to award our named executive officers performance-based annual cash incentive opportunities that compensate the executives for what we believe are below-market base salary levels. The compensation committee takes the named executive officers' base salary levels into account when it establishes each executive's potential cash incentive award payouts, with the intent that each executive's targeted annual cash opportunity (which is base salary plus target annual incentive payment) is competitive and that each executive has a meaningful upside annual cash compensation opportunity for overperformance. We believe this compensation philosophy is consistent with our pay-for-performance culture and our compensation objective of linking pay to performance.

Based on our 2016 compensation survey, we believe each named executive officer's 2016 targeted annual cash opportunity was modestly above the 50<sup>th</sup> percentile of the annual cash compensation paid to similarly situated executives at our Compensation Peers and below the 50<sup>th</sup> percentile (and for our Chief Executive Officer, below the 25<sup>th</sup> percentile) of the annual cash compensation paid to similarly situated executives at our Direct Competitor Peers.

*Design.* Under our annual cash incentive plan design for 2016, the compensation committee selected the following performance measures to evaluate executive incentive performance:

- (1) normalized funds from operation ("FFO" and once normalized "NFFO") per share for the fourth quarter of 2016 determined on an annualized basis;
- (2) capital deployment;
- (3) net debt to EBITDA at the end of 2016; and
- (4) for Mr. Wagner only, credit rating increases.

FFO, as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), is an important supplemental measure not computed in accordance with GAAP and measures operating performance for a REIT. FFO is defined by NAREIT as net income computed in accordance with GAAP, excluding gains or losses from real estate dispositions, real estate depreciation and amortization and impairment charges, and adjustments for unconsolidated partnerships and joint ventures. The Company computes FFO in accordance with NAREIT's definition. NFFO adjusts FFO for certain revenue and expense items that the Company does not believe are indicative of its ongoing operating results, such as costs associated with the Spin-Off, written-off deferred financing fees, expensed acquisition costs and other unanticipated charges. EBITDA represents net income before interest expense (including amortization of deferred financing costs) and amortization of stock-based compensation, and depreciation and amortization. These performance measures are non-GAAP financial measures for which net income is the most directly comparable financial measure reported under GAAP.

The compensation committee chose NFFO per share as a performance metric because the committee believes it is a common performance metric used by investors to evaluate the performance of REITs, and the committee believes that motivating the executives to drive growth in our NFFO per share performance will in turn benefit stockholders in the form of increased stockholder returns. The compensation committee determined to measure our 2016 NFFO per share performance by measuring our performance against targets established for the fourth quarter of 2016 on an annualized basis. The compensation committee determined to establish annualized targets for the fourth quarter of 2016 instead of annual per share targets for the entirety of 2016 because, given the anticipated level of 2016 investment activity at the time the incentive program was established, it believed annualizing a quarterly snapshot at the end of the year would better measure the named executive officers' execution on our anticipated investments and business plan during the year and our overall performance for the year. This design recognizes that FFO cannot occur before investments are made, and was intended to require anticipated investments to be timely completed in order for the annualized fourth quarter NFFO per share targets to be achieved.

The compensation committee chose our capital deployment and our December 31, 2016 net debt to EBITDA ratio as performance metrics because it wanted to motivate the executives to grow our portfolio and pursue new tenant relationships with quality operators to further diversify our revenue from sources other than Ensign, while at the same time motivating the executives to responsibly manage our debt to EBITDA ratio and our capital structure. For Mr. Wagner, the compensation committee also chose credit rating increases as a performance metric because this was an area for which he had primary responsibility, and the committee wanted to motivate him to improve our credit ratings and therefore reduce our expected costs of borrowed capital.

For each named executive officer, the compensation committee chose different weightings for each performance metric (and included a separate performance metric for Mr. Wagner) to take into account each executive's role and create appropriate incentives for each executive to achieve our business objectives and create long-term value for our stockholders. The following table illustrates the weighting of each performance measure for each named executive officer at the threshold, target and high bonus levels.

### Performance Measure Weighting

Name	Bonus Level	NFFO per share	Capital Deployment	Net Debt to EBITDA	Credit Rating Increase	Total Bonus
Gregory K. Stapley	Threshold	35%	20%	20%	—	<b>75%</b>
	Target	75%	40%	35%	—	<b>150%</b>
	High	105%	65%	55%	—	<b>225%</b>
William M. Wagner	Threshold	25%	10%	10%	5%	<b>50%</b>
	Target	50%	15%	25%	10%	<b>100%</b>
	High	75%	30%	30%	15%	<b>150%</b>
David M. Sedgwick	Threshold	25%	15%	10%	—	<b>50%</b>
	Target	50%	25%	25%	—	<b>100%</b>
	High	75%	40%	35%	—	<b>150%</b>

The actual annual cash incentive earned by each named executive officer is determined by the sum of the percentage values for each metric at the level achieved for that metric multiplied by the annualized base salary. If the actual performance level achieved for any metric falls below the threshold level, above the high level or somewhere in between, the actual percentages for each metric are calculated using straight line linear interpolation. However, if the sum of the total achieved percentage values is less than the threshold level for the executive (*i.e.*, 75% for Mr. Stapley and 50% for Messrs. Wagner and Sedgwick), then no annual incentive will be paid to the executive. Similarly, each executive's maximum bonus is capped at the percentage of annualized base salary reflected in the high row above (*i.e.*, 225% for Mr. Stapley and 150% for Messrs. Wagner and Sedgwick).

We required an annualized fourth quarter NFFO per share amount of \$1.06 to earn the threshold bonus amount, \$1.09 to earn the target bonus amount, and \$1.12 to earn the high bonus amount payable with respect to this performance measure. The threshold target of \$1.06 represented an approximate 13% increase over our NFFO achieved for 2015, while the target and high values represented approximate increases of 16% and 19% over our 2015 performance. We required capital deployment during 2016 of \$100 million to earn the threshold bonus amount, \$165 million to earn the target bonus amount, and \$230 million to earn the high bonus amount payable with respect to this performance measure. We required a ratio of net debt to EBITDA as of December 31, 2016 to be 6.0x to earn the threshold bonus amount, 5.6x to earn the target bonus amount, and 5.2x to earn the high bonus amount payable with respect to this performance measure. As noted above, we believe these capital deployment and ratio of net debt to EBITDA targets operated in tandem to motivate the executives to grow and diversify our portfolio while at the same time motivating

them to responsibly manage our capital structure and use of leverage. We required a credit rating increase of two points to earn the threshold bonus amount, three points to earn the target bonus amount, and four points to earn the high bonus amount payable with respect to this performance measure, with one point being added for each one step rating increase in the Company's rating or the Company's bonds rating by either Standard & Poor's or Moody's. The following table illustrates the performance metrics set forth above for the named executive officers at the threshold, target and high bonus levels.

<b>Performance Measure</b>	<b>Threshold</b>	<b>Target</b>	<b>High</b>
NFFO per share	\$1.06	\$1.09	\$1.12
Capital Deployment	\$100 million	\$165 million	\$230 million
Net Debt to EBITDA	6.0x	5.6x	5.2x
Credit Rating Increases	2 points	3 points	4 points



In January 2017, the compensation committee assessed performance based on actual results achieved for 2016. The compensation committee determined that the Company achieved an annualized fourth quarter 2016 NFFO per share amount of \$1.1247, 2016 capital deployment of approximately \$288.0 million, a net debt to EBITDA ratio as of December 31, 2016 of 4.79x, and a credit rating increase of four points. The following table illustrates the percentage value actually achieved for each performance metric based on our 2016 performance.

<b>Performance Metric</b>	<b>Threshold</b>	<b>Target</b>	<b>High</b>	<b>Actual</b>
<b>NFFO per share</b>	<b>\$1.06</b>	<b>\$1.09</b>	<b>\$1.12</b>	<b>\$1.1247</b>
Gregory K. Stapley	35%	75%	105%	110.0% (> High)
William M. Wagner	25%	50%	75%	79.2% (> High)
David M. Sedgwick	25%	50%	75%	79.2% (> High)
<b>Capital Deployment</b>	<b>\$100 million</b>	<b>\$165 million</b>	<b>\$230 million</b>	<b>\$288 million</b>
Gregory K. Stapley	20%	40%	65%	86.1% (> High)
William M. Wagner	10%	15%	30%	42.7% (> High)
David M. Sedgwick	15%	25%	40%	52.7% (> High)
<b>Net Debt to EBITDA</b>	<b>6.0x</b>	<b>5.6x</b>	<b>5.2x</b>	<b>4.79x</b>
Gregory K. Stapley	20%	35%	55%	75.0% (> High)
William M. Wagner	10%	25%	30%	35.0% (> High)
David M. Sedgwick	10%	25%	35%	45.0% (> High)
<b>Credit Rating Increases</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>4</b>
Gregory K. Stapley	—	—	—	—
William M. Wagner	5%	10%	15%	15.0% (High)
David M. Sedgwick	—	—	—	—
	<b>Threshold</b>	<b>Target</b>	<b>High</b>	<b>Actual</b>
<b>Total Annual Cash Incentive Award</b>				
Gregory K. Stapley	75%	150%	225%	271.1% (> High)
William M. Wagner	50%	100%	150%	171.9% (> High)
David M. Sedgwick	50%	100%	150%	176.9% (> High)

As illustrated by the table above, our actual performance for 2016 would have resulted in each named executive officer earning a cash incentive compensation amount in excess of the executive's maximum annual bonus amount. However, each executive was paid his maximum bonus amount (225% for Mr. Stapley and 150% for Messrs. Wagner and Sedgwick), and was not awarded any additional bonus for over-performance. The following table illustrates the actual 2016 cash incentive awards approved by the compensation committee:

<b>Named Executive Officer</b>	<b>Actual Performance</b>	<b>Capped Performance</b>	<b>Cash Incentive Award (\$)</b>
Gregory K. Stapley	271.1% (> High)	225% (High)	1,012,500
William M. Wagner	171.9% (> High)	150% (High)	420,000
David M. Sedgwick	176.9% (> High)	150% (High)	345,000

***2016 Long-Term Equity Incentive Awards***

*In General.* The compensation committee believes that stock-based incentives align the interests of our named executive officers with the interests of our stockholders, and that the long-term compensation of the named executive officers should be linked to the value provided to our stockholders. In addition, we use stock-based compensation as a retention tool. Because the stock awards generally vest over a multi-year period subject to continued employment with the Company, these awards provide our executives with an ongoing incentive to continue their employment with the Company and to maximize stockholder value. Long-term stock-based incentives granted to our named executive officers have been structured in the form of restricted stock awards. Restricted stock awards are designed to link executives' interests with those of the Company's stockholders because, like stockholders, the value of the restricted stock awards depends on the value of the Common Stock. In addition, restricted stock awards provide a long-term retention incentive throughout the vesting period because the restricted stock awards generally have value regardless of stock price volatility.

No restricted stock or other stock-based incentive awards were granted to the named executive officers during 2016. Instead, the compensation committee determined that the performance-based restricted stock awards earned on account of 2016 performance would be granted in 2017, subject to a three-year vesting period, as described in more detail below.

*Design.* During 2016, the compensation committee established performance-based restricted stock award multipliers for each named executive officer. The multipliers were established as a percentage of each named executive officer's annualized base salary, as set forth in the table below:

Name	Equity Incentive Award		
	as a Percentage of Base Salary		
	Threshold	Target	High
Gregory K. Stapley	150%	250%	350%
William M. Wagner	150%	200%	250%
David M. Sedgwick	100%	150%	200%

2016 performance for our long-term equity incentive award program was measured using the same performance metrics used under our annual cash incentive award plan described above. If the total achieved percentage values under the cash incentive plan was less than the threshold level for the executive, the executive would not be eligible for any restricted stock award based on 2016 performance. If the total achieved percentage values under the cash incentive plan equaled the threshold level, the executive would earn a restricted stock award having a grant date value determined using the threshold multiplier. Similarly, if performance under the incentive plan was at either the target or high level, the executive would earn a restricted stock award having a grant date value determined using either the target or high multiplier, as applicable. If performance under the incentive plan was between the threshold and target level, or between the target level and high level, the applicable multiplier would be determined using straight line linear interpolation. However, each executive's maximum multiplier is capped at the percentage of annualized base salary reflected in the high column above (*i.e.*, 350% for Mr. Stapley, 250% for Mr. Wagner and 200% for Mr. Sedgwick).

Once the applicable achieved performance multiplier is determined based on our performance, we multiply the performance multiplier by the executive's annualized base salary to determine the grant date fair value of each executive's restricted stock award. This grant date fair value is then converted into an actual number of restricted shares by dividing the grant date value by the closing stock price on the grant date.

Any restricted shares awarded for 2016 performance are subject to a three-year time-based vesting requirement, with the earned restricted shares vesting ratably in three substantially equal installments on the first three anniversaries of the grant date. Although we have historically used a four-year vesting period for restricted stock awards, the compensation committee determined to use a three-year vesting period for these performance-based restricted stock awards because of the imposition of a new one-year performance period before the restricted shares are eligible to be earned and granted. The following table illustrates the performance multiplier actually achieved based on our 2016 performance.

<b>Named Executive Officer</b>	<b>Actual Cash Incentive Performance</b>	<b>Actual Equity Incentive Performance</b>	<b>Capped Equity Incentive Performance</b>	<b>Equity Incentive Award (\$)</b>
Gregory K. Stapley	271.1% (> High)	421.7% (> High)	350% (High)	1,575,000
William M. Wagner	171.9% (> High)	286.5% (> High)	250% (High)	700,000
David M. Sedgwick	176.9% (> High)	235.9% (> High)	200% (High)	460,000

As with the annual cash incentive compensation amounts, each named executive officer's restricted stock award multiplier was capped at the high amount, notwithstanding our over-performance.

Because these restricted stock awards were not granted until 2017, they are not included in the "Summary Compensation Table - 2014 -2016" of this Proxy Statement under applicable SEC rules. They will instead be reported in the Summary Compensation Table included in our proxy statement to be filed in 2018.

### ***Severance Benefits***

Unlike many of our Direct Competitor Peers and Compensation Peers, our named executive officers are employed on an “at will” basis. Currently, our named executive officers do not have any employment agreements or severance agreements with the Company. As a result, the named executive officers would not be entitled to any cash severance benefits upon any type of termination of employment with the Company.

Under the terms our equity incentive plan, outstanding restricted stock awards will be subject to accelerated vesting in connection with a change in control of the Company. Please see the “Potential Payments Upon Termination or Change in Control” section below for additional details.

### ***401(k) Retirement Plan***

We adopted a 401(k) retirement plan that was originally effective as of June 1, 2014. Full-time employees who have completed three months of service have the opportunity to participate in the 401(k) plan. Our 401(k) plan is intended to qualify under Section 401 of the Code. Employees are able to elect to defer a portion of their eligible compensation not to exceed the statutorily prescribed annual limit in the form of elective deferral contributions to our 401(k) plan. Our 401(k) plan also has a “catch-up contribution” feature for employees eligible to defer amounts over the statutory limit that applies to all other employees. We provide a “safe harbor” nonelective contribution of 3% of each participant’s compensation per plan year at the end of each plan year. Participants are always vested in their personal contributions to the 401(k) plan, and company nonelective contributions are also vested once made.

### **Compensation Governance Practices**

The Company considers it improper and inappropriate for the Company’s directors, executive officers and other employees to engage in short-term or speculative transactions in the Company’s securities and other transactions in the Company’s securities that create the potential for heightened legal risk or the appearance of improper or inappropriate conduct even if they occur at a time when the individual is not aware of material nonpublic information. Accordingly, the Company prohibits these individuals from engaging in short-term trading of the Company’s securities or in any hedging transactions such as, but not limited to, zero-cost collars, equity swaps and forward sale contracts, absent preclearance. The Company also prohibits these individuals from holding Company securities in a margin account or otherwise pledging Company securities as collateral for a loan absent preclearance.

**Policy with Respect to Section 162(m)**

In making its compensation decisions, the compensation committee considers the impact of Section 162(m) of the Code. Under Section 162(m), the Company is generally precluded from deducting compensation in excess of \$1.0 million per year for certain of our named executive officers, unless the payments are made under qualifying performance-based plans. However, because we are taxed as a REIT, Section 162(m) considerations are not as significant for us as for other publicly-traded companies that are not taxed as REITs, and the compensation committee maintains the flexibility to approve compensation for the named executive officers based upon an overall determination of what it believes to be in our best interests, even if the compensation paid may not be deductible.

## Compensation Committee Report

The compensation committee of the Board of Directors has reviewed and discussed with management the disclosures contained in the Compensation Discussion and Analysis section of this Proxy Statement. Based upon this review and discussion, the compensation committee recommended to the Board of Directors that the Compensation Discussion and Analysis section be included in this Proxy Statement.

### COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

David G. Lindahl (Chair)  
Allen C. Barbieri  
Jon D. Kline

*The foregoing report of the compensation committee does not constitute soliciting material and shall not be deemed filed, incorporated by reference into or a part of any other filing by the Company (including any future filings) under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except to the extent the Company specifically incorporates such report by reference therein.*

### Compensation Committee Interlocks and Insider Participation

Messrs. Lindahl, Barbieri and Kline were members of the compensation committee during all of 2016. During the past fiscal year, none of the members of our compensation committee is or has been an officer or employee of our Company or had any relationships requiring disclosure by the Company under the rules of the SEC requiring disclosure of certain relationships and related party transactions. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee (or other board committee performing equivalent functions) of any entity that has one or more of its executive officers serving on our Board of Directors or compensation committee.

**Summary Compensation Table - 2014 - 2016**

The following table sets forth certain information with respect to compensation for the years ended December 31, 2016, 2015 and 2014, or such shorter period as indicated in the footnotes below, earned by, awarded to or paid to our named executive officers.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)(2)	All Other Compensation (3)	Total (\$)
Gregory K. Stapley <i>Chief Executive Officer</i>	2016	450,000	—	—	1,012,500	8,100	1,470,600
	2015	385,742	139,438	1,302,158	871,092	7,950	2,706,380
	2014(4)	219,261	—	700,412	533,541	750	1,453,964
William M. Wagner <i>Chief Financial Officer</i>	2016	280,000	—	—	420,000	8,100	708,100
	2015	251,431	59,870	566,034	378,525	7,950	1,263,810
	2014(4)	142,917	75,000	440,035	239,414	—	897,366
David M. Sedgwick <i>Vice President, Operations</i>	2016	230,000	—	—	345,000	8,100	583,100
	2015	183,399	55,332	545,745	307,500	7,950	1,099,926
	2014(4)	90,125	50,000	359,788	165,586	1,500	666,999

(1) The amounts in this column represent the aggregate fair value of each award on its grant date, computed in accordance with Accounting Standard Codification (“ASC”) Topic 718. We valued the restricted stock awards as of the grant date by multiplying the closing price of our Common Stock on that date by the number of shares of restricted stock awarded.

(2) The amounts in this column for 2016 represent the cash bonus paid under the annual incentive plan for 2016 based on the performance level achieved under the plan. See “2016 Annual Cash Incentives” above.

(3) The amounts in this column represent 401(k) plan company matching contributions.

(4) Reflects compensation for the period after the Spin-Off (from June 1, 2014) through December 31, 2014 only.

**Grants of Plan-Based Awards in 2016**

The following table sets forth certain information concerning the cash incentive opportunities awarded to our named executive officers for 2016. The named executive officers were not granted any equity awards in 2016.



**Estimated Possible Payouts Under Non-Equity Incentive Plan**      **Estimated Future Payouts Under Equity Incentive Plan**

**Awards (1)**

**Awards (2)**

Name	Grant Date	Awards (1)			Awards (2)			All Other Stock Awards: Number of Shares of Stock or	Grant Date Fair Value of Stock and Option
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
Gregory K. Stapley	N/A	337,500	675,000	1,012,500	—	—	—	—	—
William M. Wagner	N/A	140,000	280,000	420,000	—	—	—	—	—
David M. Sedgwick	N/A	115,000	230,000	345,000	—	—	—	—	—

(1) Represents the threshold, target and maximum award opportunities for performance-based cash awards payable for 2016 under our annual performance-based cash incentive award program. The actual cash incentive awards earned for 2016 are reflected in the Summary Compensation Table above under the caption “Non-Equity Incentive Plan Compensation”. For a description of the material terms of the cash incentive plan awards reported in the table above, see “Compensation Discussion and Analysis — Material Elements of Compensation — 2016 Annual Cash Incentive Awards”.

(2) The actual equity incentive awards earned for 2016 performance that were granted in the 2017 calendar year are described in “Compensation Discussion and Analysis — Material Elements of Compensation — 2016 Annual Equity Incentive Awards”.

**Outstanding Equity Awards at 2016 Fiscal Year End**

The following table sets forth certain information with respect to outstanding equity awards of our named executive officers as of December 31, 2016. As of December 31, 2016, the only outstanding equity awards granted to our named executive officers are restricted stock awards.

Name	Grant Date	Number of Shares or Units of Stock That Have Not Vested #(1)	Market Value of Shares or Units of Stock That Have Not Vested \$(2)
Gregory K. Stapley	6/29/2015	76,537	1,172,547
	12/17/2014	34,362	526,426
William M. Wagner	6/29/2015	33,270	509,696
	12/17/2014	21,588	330,728
David M. Sedgwick	6/29/2015	32,077	491,420
	12/17/2014	14,526	222,538

The unvested portion of the restricted stock awards granted on December 17, 2014 are scheduled to vest in three substantially equal installments on May 31 in each of 2017, 2018 and 2019. The unvested portion of the restricted (1) stock awards granted on June 29, 2015 are scheduled to vest in three substantially equal installments on June 30 in each of 2017, 2018 and 2019.

(2)Market value of unvested restricted stock is based on the closing stock price of \$15.32 as of December 31, 2016.

**Option Exercises and Stock Vested in 2016**

The following table sets forth certain information with respect to restricted stock awards held by our named executive officers that vested during 2016.

Name	Stock Awards Number of shares acquired on vesting (#)	Value realized on vesting (\$)
Gregory K. Stapley	36,967	504,938
William M. Wagner	18,286	249,174
David M. Sedgwick	15,535	212,184

**Potential Payments Upon Termination or Change in Control**

The following section describes the benefits that may become payable to the named executive officers in connection with a termination of their employment with us or a change in control of the Company.

Currently, our named executive officers do not have any employment agreements or severance agreements with the Company. As a result, the named executive officers would not be entitled to any cash severance benefits upon any type of termination of employment with the Company.

Outstanding restricted stock awards granted to the named executive officers under the Plan (as defined below) will be subject to accelerated vesting in connection with a change in control of the Company.

The following table provides information concerning the potential payments that would be made to each named executive officer in the event of a change in control. As prescribed by the SEC's disclosure rules, in calculating the amount of any potential payments to the named executive officers, we have assumed that the applicable triggering event (i.e., a change in control) occurred on December 31, 2016.

Name	Equity Acceleration Value \$(1)
Gregory K. Stapley	1,698,973
William M. Wagner	840,424
David M. Sedgwick	713,958

(1) The equity acceleration value for each named executive officer is based upon the closing price of our common stock (\$15.32) on December 30, 2016, which was the last trading day in 2016.

## **Director Compensation**

### **Director Compensation Program**

We provide cash and stock compensation to directors for their services as directors or members of committees of the Board of Directors. We also reimburse our non-employee directors for their reasonable expenses incurred in attending meetings of our Board of Directors and committees of the Board of Directors.

Each member of our Board of Directors who is not our employee will receive the cash compensation for board services listed below, as applicable. Each member of our Board may elect to have his or her fees that would otherwise be paid in cash converted into an equity grant. For 2016, all directors elected to receive a restricted stock award (subject to a one-year vesting requirement) in lieu of the cash compensation listed below.

\$30,000 per year for service as a Board member;

\$15,000 per year for service as lead independent director of the Board; and

\$15,000 per year for service as chairperson of the audit committee, \$10,000 per year for service as chairperson of the compensation committee, and \$7,500 per year for service as chairman of the nominating and corporate governance committee.

In addition, pursuant to the Independent Director Compensation Policy, our non-employee directors are entitled to receive annual, non-discretionary grants, generally granted on or around the date of our annual meeting of stockholders, of approximately \$50,000 in restricted stock awards, which vest in full on the date of the following year's annual meeting of stockholders, subject to the non-employee director's continued service as a director through the vesting date. The number of shares of restricted stock subject to the 2016 award was determined by dividing \$50,000 by the per-share closing price (in regular trading) of our Common Stock on the date of grant, rounded up to the nearest whole share.

### **2016 Director Compensation Table**

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The following table sets forth the compensation paid to our non-employee directors for the year ended December 31, 2016.

Name (1)	Fees Earned or Paid in Cash \$(2)	Stock Awards \$(3)	Total (\$)
Allen C. Barbieri	37,552	50,025	87,577
Jon D. Kline	45,036	50,025	95,061
David G. Lindahl	40,047	50,025	90,072
Gary B. Sabin (4)	—	17,896	17,896

The compensation paid to Mr. Stapley, the Company's Chief Executive Office, is not included in this table because (1) he was an employee of the Company during his service as a director and received no compensation for his service as director. Mr. Stapley's compensation is disclosed in the "Summary Compensation Table - 2014-2016" above. Messrs. Barbieri, Kline, and Lindahl each elected to receive all of their 2016 annual retainers in the form of restricted stock awards (subject to a one-year vesting requirement) in lieu of the cash compensation listed above. (2) Accordingly, Mr. Barbieri received 2,860 restricted stock awards totaling \$37,552 for his service on the Board in 2016, Mr. Kline received 3,430 restricted stock awards totaling \$45,036 for his service on the Board in 2016, and Mr. Lindahl received 3,050 restricted stock awards totaling \$40,047 for his service on the Board in 2016. The value of the restricted stock awards in the preceding sentence is the grant date value of the restricted stock awards.

(3) For directors other than Mr. Sabin, the amounts in this column represent the aggregate fair value of each annual equity award on its grant date, computed in accordance with ASC Topic 718. We valued the stock awards as of the grant date by multiplying the closing price of our Common Stock on that date by the number of shares of stock awarded. As of December 31, 2016, each of our non-employee directors held the following number of unvested restricted stock awards (which includes the unvested restricted stock awards that each non-employee director elected to receive in lieu of his 2016 cash compensation as disclosed above in footnote (2)):

Name	<b>Number of Unvested Restricted Stock Awards</b>
Allen C. Barbieri	6,670
Jon D. Kline	7,240
David G. Lindahl	6,860
Gary B. Sabin	—

(4) Mr. Sabin retired from the Board of Directors effective August 1, 2016 and did not receive any compensation for his Board service in 2016. However, in connection with his retirement, on May 25, 2016, the Board of Directors accelerated the vesting of 1,363 unvested restricted stock awards held by Mr. Sabin, which unvested awards related to Mr. Sabin's 2014 independent director restricted stock award. At such time, these unvested shares had a value of \$17,896.

**EQUITY COMPENSATION PLAN INFORMATION**

We currently maintain one equity compensation plan: The CareTrust REIT, Inc. and CTR Partnership, L.P. Incentive Award Plan (the “Plan”). The Plan provides for the granting of stock-based compensation, including stock options, restricted stock, performance awards, restricted stock units and other incentive awards to officers, employees and directors in connection with their employment with or services provided to the Company.

The following table sets forth the number of shares of Common Stock subject to outstanding awards under the Plan and the number of shares remaining available for future award grants under the Plan as of December 31, 2016. The only outstanding equity awards under the Plan as of December 31, 2016 are restricted stock awards, which are not considered outstanding equity awards under the Plan for purposes of the table below.

Plan category	Number of shares of Common Stock to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of shares of Common Stock remaining available for future issuance under equity compensation plans (excluding shares reflected in the first column)
Equity compensation plans approved by stockholders	—	N/A	4,602,195
Equity compensation plans not approved by stockholders	N/A	N/A	N/A
Total	—	N/A	4,602,195



## **PROPOSAL 2: ADVISORY APPROVAL OF NAMED EXECUTIVE OFFICER COMPENSATION**

In accordance with the requirements of Section 14A of the Exchange Act (which was added by the Dodd-Frank Wall Street Reform and Consumer Protection Act) and the related compensation disclosure rules of the SEC, we are asking our stockholders to vote to approve, on a non-binding, advisory basis, the compensation of our named executive officers as disclosed in this Proxy Statement.

As described in detail under the heading “Compensation Discussion and Analysis,” we seek to closely align the interests of our named executive officers with the interests of our stockholders and to foster a pay-for-performance culture. Our compensation programs are designed to reward our named executive officers for the achievement of the Company’s corporate strategies, business objectives and the creation of long-term value for stockholders, while at the same time avoiding the encouragement of unnecessary or excessive risk-taking.

The vote on this resolution is not intended to address any specific element of compensation; rather, the vote relates to the overall compensation of our named executive officers, as described in this Proxy Statement. The vote is advisory, which means that the vote is not binding on the Company, our Board of Directors or the compensation committee of the Board of Directors. Although the vote is non-binding, the compensation committee will consider the voting results when it evaluates whether any changes should be made to the Company’s compensation program.

Accordingly, we ask our stockholders to approve the following resolution at the Annual Meeting:

“RESOLVED, that the Company’s stockholders approve, on an advisory basis, the compensation paid to the Company’s named executive officers as disclosed in the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative disclosure in this Proxy Statement.”

We intend to provide our stockholders with an opportunity to approve the compensation of the Company’s named executive officers each year at the annual meeting of stockholders. In Proposal 3, we are asking stockholders to vote, on a non-binding, advisory basis, for their preference as to how frequently we should seek future advisory votes on the compensation of our named executive officers. Based on input received from our stockholders and other relevant factors, the Board of Directors will determine when the next such vote will occur.

### **Recommendation of the Board of Directors**

Our Board of Directors unanimously recommends that the stockholders vote **FOR** the approval, on an advisory basis, of the compensation of the Company's named executive officers, as disclosed in this Proxy Statement. Unless otherwise instructed, the proxy holders will vote the proxies received by them **FOR** our named executive officer compensation.

### **PROPOSAL 3: ADVISORY APPROVAL OF THE FREQUENCY OF EXECUTIVE COMPENSATION**

#### **ADVISORY VOTES**

In accordance with the requirements of Section 14A of the Exchange Act and the related rules of the SEC, we are asking our stockholders to vote, on a non-binding, advisory basis, for their preference as to how frequently we should seek future advisory votes on the compensation of our named executive officers. By voting with respect to this Proposal 3, stockholders may indicate whether they would prefer that we conduct future advisory votes on executive compensation once every one, two, or three years. Stockholders also may, if they wish, abstain from casting a vote on this proposal.

After careful consideration, our Board of Directors currently believes that advisory votes on executive compensation should be conducted every year so that stockholders may annually express their views on our executive compensation program.

We recognize that stockholders may have different views as to the best approach for the Company, and therefore we look forward to hearing from our stockholders as to their preferences on the frequency of future advisory votes on executive compensation.

This vote is advisory and not binding on us or our Board of Directors. However, the Board of Directors and the compensation committee will take into account the outcome of the vote when considering the frequency of future advisory votes on executive compensation. The Board of Directors may decide that it is in the best interests of our stockholders and the Company to hold an advisory vote on executive compensation more or less frequently than the frequency receiving the most votes cast by our stockholders.

The proxy card provides stockholders with the opportunity to choose among four options (holding the vote every one, two or three years, or abstaining) and, therefore, stockholders will not be voting to approve or disapprove the recommendation of the Board of Directors.

#### **Recommendation of the Board of Directors**

Our Board of Directors unanimously recommends that the stockholders vote for the option of every **ONE YEAR** as the preferred frequency for advisory votes on executive compensation. Unless otherwise instructed, the proxy holders will vote the proxies received by them for **ONE YEAR** for the frequency of future advisory votes on executive compensation.

## **PROPOSAL 4: RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We are asking the stockholders to ratify our audit committee's selection of EY as our independent registered public accounting firm for the year ending December 31, 2017. We are not required to submit the selection of EY as our independent registered public accounting firm for stockholder approval. However, we are submitting the selection for ratification as a matter of good corporate practice. If stockholders fail to ratify the selection, the audit committee will consider whether or not to retain EY. Even if the selection is ratified, the audit committee may direct the selection of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and our stockholders.

A representative of EY will be present at the Annual Meeting, will have the opportunity to make a statement if he or she desires to do so, and will be available to respond to appropriate questions.

### **Principal Accountant Fees and Services**

The following table presents fees for professional services rendered by EY for the years ended December 31, 2016 and December 31, 2015, respectively:

	<b>2016</b>	<b>2015</b>
Audit Fees (1)	\$881,900	\$551,535
Audit Related Fees	—	—
Tax Fees (2)	6,890	123,377
All Other Fees (3)	1,995	1,995
<b>Total</b>	<b>\$890,785</b>	<b>\$676,907</b>

Audit Fees consist principally of fees for the audit of our financial statements and review of our financial (1) statements included in our Quarterly Reports on Form 10-Q, fees incurred in connection with the preparation of, and securities offerings pursuant to, registration statements filed with the SEC and accounting consultations.

(2) Tax fees consist of fees for consultations on tax matters for 2016 and tax preparation and consultations on tax matters for 2015.

(3) All other fees consist of subscription fees paid to EY for use of an accounting research tool for 2015 and 2016.

### **Pre-Approval Policies**

The audit committee has adopted a policy that requires the audit committee to pre-approve all audit and permitted non-audit services provided by our independent registered public accounting firm. The audit committee has delegated to the chairperson of the audit committee the authority to pre-approve any audit and permitted non-audit services necessary between regularly scheduled meetings of the audit committee and the chairperson must then report any such approval decisions to the full audit committee at its next scheduled meeting. Our audit committee pre-approved all audit, audit-related, tax and other services performed by our independent registered public accounting firm in fiscal 2016 and in fiscal 2015.

### **Recommendation of the Board of Directors**

Our Board of Directors unanimously recommends that the stockholders vote **FOR** the ratification of the selection of EY as the Company's independent registered public accounting firm for the year ending December 31, 2017. Unless otherwise instructed, the proxy holders will vote the proxies received by them **FOR** ratification of the selection of EY as the Company's independent registered public accounting firm for the year ending December 31, 2017.

## AUDIT COMMITTEE REPORT

Our audit committee has reviewed and discussed with our management our audited consolidated and combined financial statements and the establishment and maintenance of internal control over financial reporting and has discussed with EY, our independent registered public accounting firm, the matters required to be discussed by Auditing Standard No. 1301, *Communications with Audit Committees*.

Our audit committee has received and reviewed the written disclosures and the letter from EY required by applicable requirements of the Public Company Accounting Oversight Board regarding EY's communications with the audit committee concerning independence. Our audit committee has also considered whether the provision of non-audit services provided to us by EY is compatible with maintaining EY's independence and has discussed with EY its independence.

Based on the review and discussions referred to above, our audit committee recommended to our Board of Directors that the audited financial statements for the Company's year ended December 31, 2016 be included in our Annual Report for the year ended December 31, 2016, which was filed with the SEC on February 7, 2017. The audit committee also appointed EY to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2017 and is seeking ratification of such selection by the stockholders.

Submitted by:

Jon D. Kline (Chair)

Allen C. Barbieri

David G. Lindahl

Members of the Audit Committee

*The foregoing report of the audit committee does not constitute soliciting material and shall not be deemed filed, incorporated by reference into or a part of any other filing by us (including any future filings) under the Securities Act or the Exchange Act, except to the extent we specifically incorporate such report by reference therein.*

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information known to us with respect to beneficial ownership of our Common Stock as of March 1, 2017 for (i) each director and director nominee, (ii) each person known by us to beneficially own greater than 5% of our Common Stock, (iii) our named executive officers, and (iv) all executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. Except as otherwise noted below, the percentage of shares beneficially owned is based on 67,293,905 shares of Common Stock outstanding as of March 1, 2017. Except as affected by applicable community property laws, all persons listed have sole voting and investment power for all shares shown as beneficially owned by them.

Name and Address of Beneficial Owner (1)	<b>Number of Shares Beneficially Owned (2)</b>	<b>Percent of Class</b>
Named Executive Officers And Directors:		
Gregory K. Stapley (3)	737,919	1.1 %
William M. Wagner	151,784	*
David M. Sedgwick	139,522	*
David G. Lindahl	18,030	*
Spencer G. Plumb	—	—
Jon D. Kline	43,810	*
Allen C. Barbieri	12,960	*
All Executive Officers and Directors as a Group (7 Persons)	1,104,025	1.6 %
Five Percent Stockholders:		
Blackrock, Inc. (4)	9,381,566	14.8 %
Wasatch Advisors, Inc. (5)	3,393,224	5.3 %
The Vanguard Group (6)	10,010,508	15.7 %

\*Denotes less than 1%.

(1) The addresses of all of the officers and directors listed above are in the care of CareTrust REIT, Inc., 905 Calle Amanecer, Suite 300, San Clemente, California 92673.

(2) Includes shares of restricted stock. Restricted stock may not be disposed of until vested and are subject to repurchase by us upon termination of service to us.

(3) Represents 232,126 shares held by Mr. Stapley directly, 477,061 shares held by the Stapley Family Trust dated April 25, 2006 and 28,732 shares held by Deborah Stapley as custodian for the minor children of Gregory K. Stapley and Deborah Stapley under the California Uniform Transfers to Minor Act. Mr. Stapley and his spouse share voting and investment power over the shares held by the Stapley Family Trust, and Mr. Stapley's spouse



holds voting and investment power over the shares held for their minor children.

Beneficial ownership information is as of December 31, 2016 and is based on information reported on a Schedule 13G/A filed by Blackrock, Inc. with the SEC on January 12, 2017. The schedule indicates that Blackrock, Inc. has (4) sole voting power over 9,006,900 shares of our Common Stock and sole dispositive power over 9,381,566 shares of our Common Stock. The business address of Blackrock, Inc. is 55 East 52nd Street, New York, New York 10022.

Beneficial ownership information is as of December 31, 2016 and is based on information reported on a Schedule 13G/A filed by Wasatch Advisors, Inc. with the SEC on February 14, 2017. The schedule indicates that Wasatch (5) Advisors, Inc. has sole voting and sole dispositive power over 3,393,224 shares of our Common Stock. The business address of Wasatch Advisors, Inc. is 505 Wakara Way, Salt Lake City, Utah 84108.

Beneficial ownership information is as of December 31, 2016 and is based on information reported on a Schedule 13G/A by The Vanguard Group with the SEC on February 9, 2017. The schedule indicates that The Vanguard Group has sole voting power over 199,518 shares of our Common Stock, sole dispositive power over 9,823,419 shares of our Common Stock, shared voting power over 67,000 shares of our Common Stock and shared dispositive power over 187,089 shares of our Common Stock. The number of shares reported as beneficially owned (6) by The Vanguard Group in its Schedule 13G/A includes 4,827,925, representing 7.59% of our outstanding Common Stock as of December 31, 2016, that Vanguard Specialized Funds — Vanguard REIT Index Fund (“Vanguard REIT Fund”) separately reported as beneficially owned in a Schedule 13G/A filed on February 13, 2017 with the SEC. According to Vanguard REIT Fund’s Schedule 13G/A, Vanguard REIT Fund has sole voting power over 4,827,925 shares of our Common Stock. The business address of The Vanguard Group and the Vanguard REIT Fund is 100 Vanguard Blvd., Malvern, Pennsylvania 19355.

## **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our directors and officers, and persons who own more than ten percent of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of our equity securities. Officers, directors, and greater than ten percent stockholders are required by the SEC to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms we have received and written representations from certain reporting persons that they filed all required reports, we believe that all of our officers, directors and greater than 10% stockholders complied with all Section 16(a) filing requirements applicable to them with respect to transactions during fiscal 2016.

## **CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

Since January 1, 2016, there has not been, nor is there any proposed transaction in which we were or will be a party or in which we were or will be a participant, involving an amount that exceeded or will exceed \$120,000 and in which any director, executive officer, beneficial owner of more than 5% of any class of our voting securities, or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, other than the compensation arrangements and other agreements and transactions which are described under “Compensation Discussion and Analysis” above.

### **Procedures for Approval of Related Person Transactions**

Our Board of Directors has adopted a written policy regarding the approval of any “related person transaction,” which is any transaction or series of transactions in which we or any of our subsidiaries is or are to be a participant, the amount involved exceeds \$120,000, and a “related person” (as defined under SEC rules) has a direct or indirect material interest. Under the policy, a related person is required to disclose to our Chief Financial Officer any proposed related person transaction and certain facts and circumstances about the proposed transaction. Our Chief Financial Officer would then assess that information and, if determined to be a related party transaction, submit the transaction to our audit committee for consideration. Based on our audit committee’s consideration of all of the relevant facts and circumstances, our audit committee will decide whether or not to approve such transaction and will generally approve only those transactions that are in, or are not inconsistent with, the best interests of CareTrust REIT. If we become aware of an existing related person transaction that has not been pre-approved under this policy, the transaction will be referred to our audit committee, which will evaluate all options available, including ratification, revision or termination of such transaction. Our policy requires any director who may be interested in a related person transaction to recuse himself or herself from any consideration of such related person transaction.

## **STOCKHOLDER PROPOSALS AND DIRECTOR NOMINATIONS FOR 2018 ANNUAL MEETING**

Stockholders may present proposals for action at a future meeting only if they comply with the requirements of the proxy rules established by the SEC and our bylaws, as further described below:

*Requirements for Proposals to be Considered for Inclusion in Proxy Materials.* Stockholder proposals that are intended to be presented at our 2018 annual meeting of stockholders and included in our proxy materials for such meeting must comply with the procedural and other requirements set forth in Rule 14a-8 of the Exchange Act. To be eligible for inclusion in our proxy materials, stockholder proposals must be received by our Secretary at our principal executive offices no later than November 15, 2017, which is 120 calendar days prior to the first anniversary of the date this Proxy Statement was released to stockholders in connection with the Annual Meeting. If we change the date of the 2018 annual meeting of stockholders by more than 30 days from the date of this year's Annual Meeting, your written proposal must be received by our Secretary at our principal executive offices a reasonable time before we begin to print and mail our proxy materials for our 2018 annual meeting of stockholders.

*Requirements for Proposals Not Intended for Inclusion in Proxy Materials and for Nomination of Director Candidates.* A stockholder who wishes to nominate one or more persons for election to our Board of Directors at the 2018 annual meeting of stockholders or present a proposal at the 2018 annual meeting of stockholders, but whose stockholder proposal will not be included in the proxy materials we distribute for such meeting, must deliver written notice of the nomination or proposal to our Secretary at our principal executive offices not earlier than October 16, 2017 (the 150th day prior to the first anniversary of the date of this Proxy Statement for the Annual Meeting), nor later than 5:00 p.m. Eastern Time on November 15, 2017 (the 120th day prior to the first anniversary of the date of this Proxy Statement for the Annual Meeting); *provided, however*, that in the event that the date of the 2018 annual meeting of stockholders is advanced or delayed by more than 30 days from the first anniversary of the date of this year's Annual Meeting, in order for notice by the stockholder to be timely, such notice must be so delivered no earlier than the 150th day prior to the date of the 2018 annual meeting of stockholders and not later than 5:00 p.m., Eastern Time, on the later of the 120th day prior to the date of the 2018 annual meeting of stockholders, as originally convened, or the 10th day following the day on which public announcement of the date of the 2018 annual meeting of stockholders is first made. The public announcement of a postponement or adjournment of the 2018 annual meeting of stockholders shall not commence a new time period for the giving of a stockholder's notice as described above. The stockholder's written notice must include certain information concerning the stockholder and each nominee as specified in Article II, Section 11 of our Bylaws. Stockholder proposals must be in writing and should be addressed to our corporate Secretary, at our principal executive offices at 905 Calle Amanecer, Suite 300, San Clemente, California 92673. It is recommended that stockholders submitting proposals direct them to our corporate Secretary and utilize certified mail, return receipt requested in order to provide proof of timely receipt. The Chairman of the Annual Meeting reserves the right to reject, rule out of order, or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements, including conditions set forth in our Bylaws and conditions established by the SEC.

## **OTHER MATTERS**

As of the date of this Proxy Statement, we do not know of any business, other than described in this Proxy Statement that should be considered at the Annual Meeting. If any other matters should properly come before the Annual Meeting or any postponement or adjournment thereof, it is the intention of the persons named in the accompanying form of proxy to vote the proxies held by them in accordance with their best judgment.

## **DELIVERY OF DOCUMENTS TO STOCKHOLDERS SHARING AN ADDRESS**

As permitted by the Exchange Act, only one copy of our proxy materials is being delivered to stockholders of record residing at the same address and who did not receive a Notice of Internet Availability or otherwise receive their proxy materials electronically, unless such stockholders have notified us of their desire to receive multiple copies of our proxy materials. This is known as householding. We will promptly deliver, upon oral or written request, a separate copy of the proxy materials to any stockholder residing at an address to which only one copy was mailed. Stockholders who currently receive multiple copies of proxy materials at their address and would like to request householding of their communications should contact us. Requests for additional copies or requests for householding for this year or future years should be directed in writing to our principal executive offices at 905 Calle Amanecer, Suite 300, San Clemente, California 92673, Attn: Secretary or by telephone at (949) 542-3130.

## AVAILABLE INFORMATION

We are subject to the informational requirements of the Exchange Act, and, in accordance therewith, file annual, quarterly and current reports, proxy statements and other information with the SEC. These reports and other information we file with the SEC can be read and copied at the Public Reference Room of the SEC, 100 F. Street, N.E., Washington, D.C. 20549. Information about the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, and other information about issuers, like us, which file electronically with the SEC. The address of that site is <http://www.sec.gov>. We make available our reports on Form 10-K, 10-Q, and 8-K (as well as all amendments to these reports), and other information, free of charge, at the Investor Relations section of our website at [www.caretrustreit.com](http://www.caretrustreit.com). The information contained on our website, other than this proxy statement, is not considered proxy solicitation material and is not incorporated by reference herein.

A copy of our Annual Report has been posted, and is available without charge, on our website at [www.caretrustreit.com](http://www.caretrustreit.com). For stockholders receiving a Notice of Internet Availability, such Notice will contain instructions on how to request a printed copy of our Annual Report. For stockholders receiving a printed copy of this Proxy Statement, a copy of our Annual Report has also been provided to you. **In addition, a copy of our Annual Report (including the financial statements and schedules thereto), which we filed with the SEC on February 7, 2017, will be provided without charge to any person to whom this Proxy Statement is mailed upon the written request of any such person to Josh McLane, Secretary, CareTrust REIT, Inc., 905 Calle Amanecer, Suite 300, San Clemente, California 92673.**

CARETRUST REIT, INC.  
BY ORDER OF THE BOARD OF DIRECTORS

GREGORY K. STAPLEY  
CHAIRMAN, PRESIDENT AND CHIEF  
EXECUTIVE OFFICER

San Clemente, California

Dated: March 15, 2017

## **APPENDIX A - RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**

Funds from operations, or “FFO,” as defined by NAREIT, and funds available for distribution, or “FAD,” are important non-GAAP supplemental measures of operating performance for a REIT. Because the historical cost accounting convention used for real estate assets requires straight-line depreciation except on land, such accounting presentation implies that the value of real estate assets diminishes predictably over time. However, since real estate values have historically risen or fallen with market and other conditions, presentations of operating results for a REIT that uses historical cost accounting for depreciation could be less informative. Thus, NAREIT created FFO as a supplemental measure of operating performance for REITs that excludes historical cost depreciation and amortization, among other items, from net income, as defined by GAAP.

FFO is defined by NAREIT as net income computed in accordance with GAAP, excluding gains or losses from real estate dispositions, real estate depreciation and amortization and impairment charges, and adjustments for unconsolidated partnerships and joint ventures. The Company computes FFO in accordance with NAREIT’s definition.

FAD is defined as FFO excluding non-cash income and expenses, such as amortization of stock-based compensation, amortization of deferred financing costs and the effects of straight-line rent. The Company considers FAD to be a useful supplemental measure to evaluate the Company’s operating results excluding these income and expense items to help investors, analysts and other interested parties compare the operating performance of the Company between periods or as compared to other companies on a more consistent basis.

In addition, the Company reports normalized FFO, or “NFFO,” and normalized FAD, or “NFAD,” which adjust FFO and FAD for certain revenue and expense items that the Company does not believe are indicative of its ongoing operating results, such as costs associated with the spin-off, written-off deferred financing fees, expensed acquisition costs, and other unanticipated charges. By excluding these items, investors, analysts and our management can compare NFFO and NFAD between periods more consistently.

While FFO, NFFO, FAD and NFAD are relevant and widely-used measures of operating performance among REITs, they do not represent cash flows from operations or net income as defined by GAAP and should not be considered an alternative to those measures in evaluating the Company’s liquidity or operating performance. FFO, NFFO, FAD and NFAD do not purport to be indicative of cash available to fund future cash requirements.

Further, the Company’s computation of FFO, NFFO, FAD and NFAD may not be comparable to FFO, NFFO, FAD and NFAD reported by other REITs that do not define FFO in accordance with the current NAREIT definition or that interpret the current NAREIT definition or define FAD differently than the Company does.

The Company believes that net income, as defined by GAAP, is the most appropriate earnings measure. The Company also believes that the use of FFO, NFFO, FAD and NFAD, combined with the required GAAP presentations, improves the understanding of operating results of REITs among investors and makes comparisons of operating results among such companies more meaningful. The Company considers FFO, NFFO, FAD and NFAD to be useful measures for reviewing comparative operating and financial performance because, by excluding gains or losses from real estate dispositions, impairment charges and real estate depreciation and amortization, and, for FAD and NFAD, by excluding non-cash income and expenses such as amortization of stock-based compensation, amortization of deferred financing costs, and the effects of straight-line rent, FFO, NFFO, FAD and NFAD can help investors compare the Company's operating performance between periods and to other REITs.

A-1

The following table presents a reconciliation of net income to NFFO, NFAD and NFFO and NFAD per share for the years ended December 31, 2016 and December 31, 2015 (in thousands, except per share amounts):

	Year Ended December 31, 2016	Year Ended December 31, 2015
Net income	\$ 29,353	\$ 10,034
Real estate related depreciation and amortization	31,865	24,075
Loss on sale of real estate	265	—
Funds from Operations (FFO)	61,483	34,109
Write-off of deferred financing fees	326	1,208
Acquisition costs	205	—
Normalized FFO	\$ 62,014	\$ 35,317
Net income	\$ 29,353	\$ 10,034
Real estate related depreciation and amortization	31,865	24,075
Amortization of deferred financing fees	2,239	2,200
Amortization of stock-based compensation	1,546	1,522
Straight-line rental income	(150	) —
Loss on sale of real estate	265	—
Funds Available for Distribution (FAD)	65,118	37,831
Write-off of deferred financing fees	326	1,208
Acquisition costs	205	—
Normalized FAD	\$ 65,649	\$ 39,039
FFO per share	\$ 1.09	\$ 0.91
Normalized FFO per share	\$ 1.10	\$ 0.94
FAD per share	\$ 1.16	\$ 1.01
Normalized FAD per share	\$ 1.17	\$ 1.04
Diluted weighted average shares outstanding (1)	56,186	37,545

(1) Diluted weighted average shares have been calculated using the treasury stock method.



**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time on April 25, 2017. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**BROADRIDGE  
P.O. BOX 1342  
BRENTWOOD,  
NY 11717**

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time on April 25, 2017. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

E19913-P87999

KEEP THIS PORTION FOR  
YOUR RECORDS  
DETACH AND RETURN THIS  
PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**CARETRUST REIT, INC.**    **For Withhold** **For All**  
**All All        Except**

**The Board of Directors  
of CareTrust REIT,  
Inc. (the "Company")  
recommends you vote  
FOR ALL the  
following:**

To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the number(s) of the nominee(s) on the line below.

- 1.

Election of two Class III director nominees to serve until the Company's 2020 annual meeting of stockholders and until their respective successors are elected and qualified.

**Nominees:**

- 01) Gregory K. Stapley
- 02) Spencer G. Plumb

**The Board of Directors recommends you vote FOR Proposals 2 and 4, and 1 YEAR for Proposal 3:**

**For    Against    Abstain**

2. Approval, on an advisory basis, of the compensation of the Company's named executive officers.

**1    2    3 Years Abstain  
Year    Years**

3. Approval, on an advisory basis, of the frequency of future advisory votes on named executive officer compensation.

**For    Against    Abstain**

4. Ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2017.

**NOTE:** In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting or any adjournment or postponement thereof.

For address changes and/or comments, please check this box and write them on the back where indicated.

Please indicate if you plan to attend this meeting.

**Yes No**

**Please sign exactly as name appears above. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.**

Signature  
[PLEASE SIGN  
WITHIN BOX]      Date

Signature (Joint Owners)      Date

**V.1.1**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on April 26, 2017**

The Notice, Proxy Statement and 2016 Annual Report on Form 10-K are available at [www.proxyvote.com](http://www.proxyvote.com).

E19914-P87999

**CARETRUST REIT, INC.  
ANNUAL MEETING OF  
STOCKHOLDERS  
APRIL 26, 2017 9:00 AM PDT  
THIS PROXY IS SOLICITED ON  
BEHALF OF THE BOARD OF  
DIRECTORS**

The undersigned hereby appoints William M. Wagner and Josh McLane, and each of them, with full power of substitution, as proxies of the undersigned to vote all shares of the common stock of CareTrust REIT, Inc. held of record by the undersigned on March 1, 2017, at the Annual Meeting of Stockholders of CareTrust REIT, Inc., to be held at the Company's offices, located at 905 Calle Amanecer, Suite 300, San Clemente, California 92673, on April 26, 2017 at 9:00 a.m., PDT, and at any adjournment(s) or postponement(s) thereof.

**THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR ALL THE NOMINEES LISTED IN PROPOSAL 1, FOR PROPOSAL 2, 1 YEAR FOR PROPOSAL 3, FOR PROPOSAL 4, AND IN THE DISCRETION**

**OF THE PROXY HOLDERS ON  
ANY OTHER MATTERS THAT  
MAY PROPERLY COME  
BEFORE THE MEETING.**

**PLEASE MARK, SIGN, DATE  
AND RETURN THE PROXY  
CARD PROMPTLY USING THE  
ENCLOSED POSTAGE-PAID  
ENVELOPE. IF YOU CHOOSE  
TO VOTE BY TELEPHONE OR  
INTERNET, DO NOT RETURN  
THIS PROXY.**

**Address Changes/Comments:**

(If you noted any Address  
Changes/Comments above,  
please mark corresponding box  
on the reverse side.)

**(Continued and to be marked,  
dated and signed on the other  
side)**

V.1.1