

GLOBAL HEALTHCARE REIT, INC.
Form 10-K
April 15, 2016

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

FORM 10-K

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-15415

GLOBAL HEALTHCARE REIT, INC.

(Exact name of Registrant as specified in its Charter)

(State or other jurisdiction
of incorporation or organization)

I.R.S. Employer
Identification number

**8480 E. Orchard Road, Suite 3600,
Greenwood Village, CO**

(Address of principal executive offices)

80111
(Zip Code)

Registrant's telephone number: (303) 449-2100

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$.05 par value

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of June 30, 2015 was \$14,955,789 computed by reference to the price at which the common equity was last sold at June 30, 2015.

The number of shares outstanding of the registrant's common stock, as of April 14, 2016 is 22,527,728.

DOCUMENTS INCORPORATED BY REFERENCE

Exhibits, See Part IV

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CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report contains statements that plan for or anticipate the future. In this Annual Report, forward-looking statements are generally identified by the words "anticipate," "plan," "believe," "expect," "estimate," and the like. These forward-looking statements include, but are not limited to, statements regarding the following:

- * strategic business relationships;
- * statements about our future business plans and strategies;
- * anticipated operating results and sources of future revenue;
- * our organization's growth;
- * adequacy of our financial resources;
- * development of markets;
- * competitive pressures;
- * changing economic conditions; and,
- * expectations regarding competition from other companies.

Although we believe that any forward-looking statements we make in this Annual Report are reasonable, because forward-looking statements involve future risks and uncertainties, there are factors that could cause actual results to differ materially from those expressed or implied. For example, a few of the uncertainties that could affect the accuracy of forward-looking statements, besides the specific factors identified above in the Risk Factors section of this Annual Report, include:

- * changes in general economic and business conditions affecting the healthcare industry;
- * developments that make our facilities less competitive;
- * changes in our business strategies;
- * the level of demand for our facilities; and
- * regulatory changes affecting the healthcare industry and third party payor practices.

In light of the significant uncertainties inherent in the forward-looking statements made in this Annual Report, particularly in view of our early stage of operations, the inclusion of this information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved.

PART I

ITEM 1. BUSINESS

Background

Global Healthcare REIT, Inc. (Global or we or the Company) was organized for the purpose of investing in real estate related to the long-term care industry. Prior to the Company changing its name to Global Healthcare REIT, Inc. on September 30, 2013, the Company was known as Global Casinos, Inc. Global Casinos, Inc. operated two gaming casinos which were split-off and sold on September 30, 2013. Simultaneous with the split-off and sale of the gaming operations, the Company acquired West Paces Ferry Healthcare REIT, Inc. (WPF). We plan to elect to be treated as a real estate investment trust (REIT) in the future; however, we do not intend to make that election for the 2015 fiscal year.

We acquire, develop, lease, manage and dispose of healthcare real estate, and provide financing to healthcare providers. Our portfolio will be comprised of investments in the following five healthcare segments: (i) senior housing, (ii) life science, (iii) medical office, (iv) post-acute/skilled nursing and (v) hospital. We will make investments within our healthcare segments using the following five investment products: (i) properties under lease, (ii) debt investments, (iii) developments and redevelopments, (iv) investment management and (v) the Housing and Economic Recovery Act of 2008 (RIDEA), which represents investments in senior housing operations utilizing the structure permitted by RIDEA.

The delivery of healthcare services requires real estate and, as a result, tenants and operators depend on real estate, in part, to maintain and grow their businesses. We believe that the healthcare real estate market provides investment opportunities due to the following:

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Compelling demographics driving the demand for healthcare services;

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Specialized nature of healthcare real estate investing; and

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Ongoing consolidation of a fragmented healthcare real estate sector.

Our Properties

Acquisition of West Paces Ferry Healthcare REIT, Inc. (WPF)

On September 30, 2013, Global acquired all of the outstanding common stock of WPF in consideration of \$100. WPF owns a 65% membership interest in Dodge NH, LLC, which owns a skilled nursing facility located in Eastman, Georgia.

Concurrently with the consummation of the split-off of gaming operations and the WPF acquisition, the Company's directors and executive officers were reconstituted.

Acquisition of Middle Georgia Nursing Home

Effective July 1, 2012, Georgia Healthcare REIT, Inc., (Georgia REIT) a private company owned and controlled by Mr. Brogdon, consummated its first acquisition: the Middle Georgia Nursing Home. Middle Georgia Nursing Home is located at 556 Chester Highway in Eastman, Georgia (Middle Georgia or the Facility). The Facility was acquired through Dodge NH, LLC, a limited liability company formed for the purpose of acquiring Middle Georgia that was initially wholly-owned by Georgia REIT. Dodge Investors, LLC was formed and organized as a financing entity to raise \$1.1 million in funding to complete the financing required to complete the acquisition, as more fully described below.

The terms of the acquisition of Middle Georgia were as follows: The purchase price was \$5.0 million, of which \$4.2 million was paid with the proceeds of a commercial mortgage with Colony Bank, as senior lender, which accrued interest at 6.25% per annum; and the balance of \$1.0 million was provided by Dodge Investors, LLC. Dodge Investors LLC funded Dodge NH, LLC with \$1.1 million in consideration of 13% unsecured notes and a carried 35% membership interest in Dodge NH, LLC. Of the \$1.1 million raised by Dodge Investors, LLC, \$125,000 was invested by Georgia REIT from loan proceeds from the Company, representing a 4% membership interest of the total 35% membership interest held by Dodge Investors, LLC. The Dodge NH, LLC notes purchased by Dodge Investors, LLC accrued interest at the rate of 13% per annum, interest payable monthly, with the outstanding balance of principal and accrued and unpaid interest due July 1, 2014.

Effective March 15, 2013, Georgia REIT conveyed its entire 65% membership interest in Dodge NH to WPF. During 2014 and 2015, the Company acquired the remaining membership interests in Dodge Investors, LLC and holds a 100% membership interest as of December 31, 2015. The Company has also repaid the entire \$1.1 million note to Dodge Investors, LLC.

Dodge NH, LLC has an operating lease agreement with Eastman Healthcare and Rehab, LLC, owned by a professional skilled nursing facility operator, having an initial term of five years expiring in June 2017, with an option to renew for an additional five-year period. The rent began at \$45,000 per month and increased by \$1,000 per month on each lease anniversary, thereafter. (See Subsequent Events).

Acquisition of Warrenton Nursing Home

Effective December 31, 2013, the Company consummated the purchase of the 110 bed Warrenton Nursing Home (Warrenton) located in Warrenton, Georgia. Warrenton was

purchased by ATL/WARR, LLC, a single purpose Georgia limited liability company (Warr LLC) previously owned 95% by Christopher Brogdon and 5% by an unaffiliated investor. Concurrently, Mr. Brogdon conveyed his 95% membership interest in Warr LLC to the Company for nominal consideration.

Warr LLC entered into a Purchase and Sale Agreement dated April 3, 2013 (the PSA) with Providence Health Care, Inc., as seller, covering the Warrenton facility. The purchase price of Warrenton was \$3.5 million, of which \$2.72 million was provided by a commercial senior bank loan, and approximately \$984,500 was provided by the Company.

Pursuant to the PSA, Warr LLC acquired (i) the land on which the facility is located, (ii) all buildings and other structures situated on or appurtenant to the land, (iii) all appliances, furniture, fixtures and equipment, and (iv) all transferable intangible assets and property related to the facility.

Warr LLC has assumed an operating lease (Lease) with a multi-unit skilled nursing home operator (Operator). The Operator (i) owns the facility records, residential agreements, resident trust funds and inventory, (ii) is the licensed operator of the facility, and (iii) operates the facility as a skilled nursing facility. The operating lease provided for annual rent of \$379,634 for fiscal year 2015 and will expire in June 2016.

Neither Warr LLC nor the Company (i) owns a direct equity interest in the skilled nursing facility business operated by the Operator, (ii) is subject to a beneficial participating or residual interest in such business, or (iii) is entitled to participate in, or otherwise influence, any decision related to such business, except for customary provisions under the Lease with regard to the use, regulatory compliance, maintenance, alteration and preservation of the real property and FF&E.

Acquisition of Southern Hills Retirement Center

Effective February 7, 2014, the Company acquired the real property and improvements comprising a 100% interest in the Southern Hills Retirement Center located in Tulsa, Oklahoma (Southern Hills). To complete the acquisition, the Company formed and organized Southern Tulsa, LLC, a Georgia limited liability company, a new wholly-owned subsidiary of WPF.

The Southern Hills facility is comprised of a senior living campus of three buildings totaling 104,192 square feet sitting on a 4.36 acre parcel. The Center consists of a Assisted Living facility (ALF), an Independent Living facility (ILF) and a Skilled Nursing facility (SNF). The Center offers 116 nursing beds, 86 independent living units, and 32 assisted living beds.

The purchase price for Southern Hills was \$2.0 million, of which \$1.5 million was provided by a senior mortgage with First Commercial Bank, with the balance of \$500,000 provided by Global. Global also provided a guaranty of the loan from First Commercial Bank.

In the purchase of the property, Southern Tulsa, LLC acquired (i) the land on which the facility is located, (ii) all buildings and other structures situated on or appurtenant to the land, (iii) all appliances, furniture, fixtures and equipment, and (iv) all transferable intangible assets and property related to the facility.

On March 1, 2014, the Tulsa County Industrial Authority issued \$5.7 million of its First Mortgage Revenue Bonds and lent the net proceeds to the Company. The Company used the proceeds to pay off the \$1.5 million bridge loan, to pay certain costs of the bond issuance, to renovate the 86 independent living units and 32-bed assisted living facility, and to establish a debt service reserve fund and other initial deposits as required by the bond indenture. The debt is secured by a first mortgage lien on the independent living units and assisted living facility (facilities), an assignment of the facilities leases, a first lien on all personal property located in the facilities, and a guaranty by the Company. The debt bears interest at rates ranging from 7.0% to 8.5% with principal and interest due monthly beginning in May 2014 through maturity on March 1, 2044. The loan agreement also contains financial covenants required to be maintained by the Company.

The SNF was refinanced with a commercial bank for \$2,000,000. The SNF is under a five year lease to Healthcare Management of Oklahoma for an initial rent of \$35,000 per month. The ALF is leased to Healthcare Management of Oklahoma for an initial rent of \$20,000 per month which was to commence on April 1, 2015; however, additional renovations are required to open the facility and the commencement of rent payments has been delayed. The ILF is presently undergoing renovation which is expected to be completed during 2016. When the renovation is complete the Company plans to lease it as well.

Acquisition of Interest In Limestone Assisted Living

Effective March 5, 2014, WPF consummated a Membership Interest Purchase Agreement providing for the purchase from Connie Brogdon, spouse of Christopher Brogdon, President and Director of the Company, for nominal consideration (\$10.00) a 25% membership interest in Limestone Assisted Living, LLC (Limestone LLC). The other 75% membership interest in Limestone LLC is owned by Connie Brogdon (5%) and unaffiliated third parties (70%). The Company also extended a loan to Limestone LLC in the principal amount of \$550,000 (the Limestone Loan), which is repayable, together with interest at the rate of 10% per annum, on or before the earlier of (i) August 31, 2014 or (ii) from the proceeds of the sale of the Limestone Assisted Living facility. The obligation of Limestone LLC to repay the Limestone Loan is secured by the personal Guaranty of Christopher Brogdon. All of the proceeds of the Limestone Loan were used by Limestone LLC to repay and retire a loan in the principal amount of \$500,000, plus accrued and unpaid interest, owed to an unaffiliated third party. That \$500,000 loan had matured on February 1, 2013. In February 2015, we agreed to extend the maturity date of the Limestone Loan to August 1, 2015.

Limestone LLC owns 100% of the Limestone Assisted Living facility (Limestone), a 42 bed, 22,189 square foot assisted living facility situated on 4.43 acres located in Gainesville, Georgia. There is senior secured bond debt in the approximate amount of \$3.7 million in addition to the Limestone Loan.

On March 25, 2015, the Limestone facility was sold and the Limestone Loan, including all accrued and unpaid interest, was repaid in full.

Acquisition of Scottsburg Healthcare Center

Effective January 27, 2014, the Company consummated a Membership Interest Purchase Agreement providing for the purchase from Georgia REIT, for nominal consideration (\$10.00) a 67.5% membership interest in Wood Moss, LLC (Wood Moss). The remaining 32.5% membership interest in Wood Moss is owned by Scottsburg Investors, LLC (Scottsburg Investors). Scottsburg Investors sold an aggregate of \$500,000 in promissory notes to its members, and used the proceeds to extend a loan to Wood Moss evidenced by a 13% \$500,000 unsecured note payable by Wood Moss.

Wood Moss owned 100% of the Scottsburg Healthcare Center (Scottsburg), a 99 bed skilled nursing facility situated on 3.58 acres in Scottsburg, Indiana. The purchase price paid by Wood Moss for Scottsburg was \$3.415 million, consisting of \$500,000 from Scottsburg Investors and a conventional first mortgage in the principal amount of \$2.915 million.

Scottsburg was leased to Waters of Scottsburg, an affiliate of Infinity HealthCare Management under an operating lease that expired December 31, 2014. Base rent under the lease was \$31,000 per month through December 31, 2013 and increased to \$32,000 per month beginning January 1, 2014.

Disposition of Scottsburg Healthcare Center

Effective March 10, 2014, Wood Moss sold its 100% interest in Scottsburg. The purchaser was 1350 N. Todd Drive, LLC, an Indiana limited liability company, under a Purchase Agreement originally dated October 9, 2008, as amended and assigned. The sales price was \$3.6 million, which included retirement of the first mortgage, subject to closing adjustments.

Acquisition of Goodwill Nursing Home

Effective May 19, 2014, the Company entered into a Membership Interest Purchase Agreement pursuant to which it acquired from Christopher and Connie Brogdon (i) units representing an undivided 45% Membership Interest in Goodwill Hunting, LLC, a Georgia limited liability company, and (ii) units representing an undivided 36.7% Membership Interest in GWH Investors, LLC, a Delaware limited liability company (collectively, the Units). GWH Investors, LLC owns a 40% membership interest in Goodwill Hunting, LLC. Together, the Company acquired, directly and indirectly, a 59.7% interest in Goodwill Hunting, LLC. The purchase price for the Units was \$800,000. The facility is subject to an aggregate of \$4,577,047 in senior debt and \$1,280,000 in non-affiliated subordinated debt.

Goodwill Hunting, LLC owns the Goodwill Nursing Home, a 172 bed skilled nursing facility located in Macon, Georgia. It is leased to Goodwill Healthcare and Rehabilitation, LLC under an operating lease that expires in 2017. The operating lease provided for annual rent totaling \$734,400 for fiscal year 2015. (See Subsequent Events).

Effective December 3, 2014, the Company acquired a 96.56% membership interest in GWH Investors, LLC, which holds a 40% membership interest in Goodwill Hunting, LLC. The purchase price for the 96.56% interest in GWH Investors, LLC was 164,491 shares of common stock of the Company.

The subordinated debt in the amount of \$1,280,000 matured on July 1, 2015. Investors in the subordinated debt were entitled to an additional 5% equity in Goodwill Hunting, LLC every six months if the debt is not paid by the Company when due. Effective December 31, 2015, the investors holding all of the outstanding interests in the subordinated debt executed an Agreement Among Lenders pursuant to which they (i) waived any and all equity ratchets and (ii) agreed to extend the maturity date of the subordinated debt to June 30, 2017, in consideration for which Goodwill Hunting, LLC agreed to pay each investor a one-time premium equal to 5% of the principal amount of the notes at such time as the notes are repaid.

As of December 31, 2015, the Company owns a 83.62% interest in Goodwill Hunting, LLC. The investors in GWH Investors, LLC still hold subordinated debt in the net amount of \$1,280,000. (See Subsequent Events).

Acquisition of Edwards Redeemer Health & Rehab

Effective September 16, 2014, the Company acquired from Mr. Brogdon a 62.5% membership interest in Edwards Redeemer Property Holding, LLC, which owns the real property and improvements known as the Edwards Redeemer Health & Rehab, a 106 bed nursing home located on 3.05 acres in Oklahoma City, Oklahoma.

Edwards Redeemer Health & Rehab is operated under a triple-net operating lease to a regional professional skilled nursing home operator, which will expire in December 2017. The lease provided for \$540,000 in gross annual rent for fiscal year 2015.

The purchase price for the 62.5% interest in the facility was \$491,487, which is subject to an aggregate of \$2,381,500 in debt. The purchase price was offset in its entirety as a credit against an advance receivable owed by Brogdon to the Company.

Effective December 3, 2014, the Company acquired a 100% membership interest in Redeemer Investors, LLC which owned the remaining 37.5% membership interest in Edwards Redeemer Property Holdings, LLC. The purchase price for the 100% interest in Redeemer Investors, LLC was 269,245 shares of common stock of the Company. As a result of these transactions, the Company now holds a 100% interest in Edwards Redeemer Property Holdings, LLC.

The investors in Redeemer Investors, LLC were repaid in full on January 23, 2015.

Acquisition of Golden Years Manor Nursing Home

Effective September 16, 2014, the Company acquired from Mr. Brogdon a 44.5% membership interest in GL Nursing, LLC, which owns the real property and improvements known as the Golden Years Manor Nursing Home located at 1010 Barnes Street in Lonoke, Arkansas. The facility has 141 licensed beds and comprises 40,737 square feet on 3.17 acres.

Golden Years Manor Nursing Home is operated under a triple-net operating lease to a regional professional skilled nursing home operator, which will expire in May 2017. The lease currently generates \$763,000 in gross annual rent.

The purchase price for the 44.5% interest in the facility was 192,767 shares of common stock in Global Healthcare REIT, Inc. The facility is subject to an aggregate of \$4,671,537 in senior debt and \$1,650,000 in subordinated debt.

Effective December 3, 2014, The Company acquired a 26.25% membership interest in GLN Investors, LLC, which owned a 30% interest in GL Nursing, LLC. The purchase price for the 26.25% interest in GLN Investors, LLC was 31,015 shares of common stock in Global Healthcare REIT, Inc.

During 2015, the Company acquired an additional 73.48% of GLN Investors, LLC, bringing its interest to 100%. The purchase price for the additional shares was 107,113 shares of common stock in Global Healthcare REIT, Inc.

As a result of these transactions, at December 31, 2015, the Company held a 75.5% interest in GL Nursing, LLC. The investors in GLN Investors, LLC still retain \$1,650,000 in subordinated debt. Subsequent to December 31, 2015, the Company acquired the remaining 24.5% membership interest in GL Nursing, LLC. (See Subsequent Events).

Acquisition of Providence of Sparta Nursing Home

Effective September 16, 2014, the Company acquired from Mr. Brogdon a 65% membership interest in Providence HR, LLC, which owns the real property and improvements known as the Providence of Sparta Nursing Home. The facility has 71 licensed beds and is located on approximately 8 acres in Sparta, Georgia.

Providence of Sparta is operated under a triple-net operating lease to a regional professional skilled nursing home operator, which expires in June 2016. The lease currently generates \$270,180 in gross annual rent for fiscal year 2015.

The purchase price for the 65% interest in the facility was 61,930 shares of common stock of Global Healthcare REIT, Inc. The facility is subject to an aggregate of \$1,686,506 in senior debt and \$1,050,000 in subordinated debt.

Effective December 3, 2014, the Company acquired a 44.4% membership interest in Providence HR Investors, LLC, which owns a 30% membership interest in Providence HR, LLC. The purchase price for the 44.4% interest in Providence HR Investors, LLC was 45,145 shares of common stock of the Company.

During 2015, the Company acquired an additional 48.09% of Providence HR Investors, LLC bringing its interest to 92.46%. The purchase price for the additional shares was 17,333 shares of common stock in Global Healthcare REIT,

Inc.

The subordinated debt in the amount of \$1,050,000 matured on August 1, 2015. Providence HR Investors, LLC is entitled to an additional 5% equity in Providence HR, LLC every six months if the debt is not paid when due.

As a result of these transactions, the Company now holds a 97.36% interest in Providence HR, LLC. The investors in Providence HR Investors, LLC still retain \$1,050,000 in subordinated debt.

Acquisition of Greene Point Health Care Center

Effective September 16, 2014, the Company acquired from Mr. Brogdon a 62.145% membership interest in Wash/Greene, LLC, which owns the real property and improvements known as the Greene Point Healthcare Center, located at 1321 Washington Highway in Union Point, Georgia. The facility has 71 licensed beds and is located on approximately 9 acres.

Greene Point Healthcare Center is operated under a triple-net operating lease to a regional professional skilled nursing home operator, which expires in June 2016. The lease currently generates \$287,052 in gross annual rent for fiscal year 2015.

The purchase price for the 62.145% interest in the facility was 73,253 shares of common stock of Global Healthcare REIT, Inc. The facility is subject to an aggregate of \$1,692,000 in senior debt and \$1,125,000 in subordinated debt.

Effective December 3, 2014, the Company acquired 100% of the outstanding membership interests in 1321 Investors, LLC, which owns a 30% membership interest in Wash/Greene, LLC. The purchase price for the 30% membership interest in 1321 Investors, LLC was 115,000 shares of common stock of the Company.

The subordinated debt in the amount of \$1,150,000 matured on October 1, 2015. Investors in the subordinated debt are entitled to an additional 5% equity in Providence HR, LLC every six months if the debt is not paid when due. Effective December 31, 2015, the investors holding all of the outstanding interests in the subordinated debt executed an Agreement Among Lenders pursuant to which they (i) waived any and all equity ratchets and (ii) agreed to extend the maturity date of the subordinated debt to June 30, 2017.

As a result of these transactions, the Company owns 100% of the outstanding membership interests of Wash/Greene, LLC. The investors in 1321 Investors, LLC still retain approximately \$1,125,000 in subordinated debt.

Meadowview Healthcare Center

Effective September 30, 2014, the Company purchased the Meadowview Healthcare Center located in Seville, Ohio (Meadowview) and owns 100% of this facility. The facility is licensed for 100 skilled nursing beds, is 27,500 square feet and located on five acres of land. Seville, Ohio is located approximately 25 miles west of Akron, Ohio and 40 miles south of Cleveland, Ohio in an area with attractive population growth in the 65 to 74 year age bracket. The total purchase price for Meadowview was \$3.0 million, which was paid in cash using the proceeds of the Note Offering described below. Meadowview was acquired through High Street Nursing, LLC, a wholly-owned subsidiary of the

Company formed for the sole purpose of completing the purchase.

Meadowview is operated under a triple-net operating lease to a regional professional skilled nursing home operator, which expires in August 2024. The lease currently generated \$361,000 in gross annual rent for fiscal year 2015.

Financings

2013 Private Offering of Common Stock

We commenced a private offering of our common stock, \$0.05 par value (*Common Stock*) on December 4, 2013 (the *Offering*). The Offering consisted of up to 7.5 million shares of Common Stock being offered on a 2,250,000 share, all-or-none, minimum (*Minimum Offering*), 7,500,000 share maximum, best efforts, basis (*Maximum Offering*) at a private offering price of \$0.75 per share. We also granted the Placement Agent an over-allotment option to sell an additional 1.5 million shares on the same terms.

On March 14, 2014, we completed the Final Closing of our Private Offering, having sold in the Offering an aggregate of 8,966,688 shares of common stock, including exercise of the Placement Agent's over-allotment option, for gross consideration of \$6,724,998 consisting of (i) \$5,988,653 in cash, (ii) \$623,793 in Notes exchanged for common stock and (iii) a 32.5% membership interest in Scottsburg Investors, LLC exchanged for 150,000 shares. We used a portion of the proceeds from the Private Offering to repay notes payable and to acquire Warrenton.

2014 Note Offering

The Company completed a private offering of its 6.5% Senior Secured Convertible Promissory Notes (the *Notes*) on September 26, 2014 (the *Note Offering*). The Notes accrue interest at the rate of 6.5% per annum, payable quarterly, and mature on the third anniversary of the date of issue. The Notes can be called for redemption at the option of the Company at any time (i) after September 15, 2015 but prior to September 15, 2016 at an early redemption price equal to 103% of the face amount of the Notes, plus accrued and unpaid interest, or (ii) any time after September 15, 2016 but prior to September 15, 2017 at an early redemption price equal to 102% of the face amount of the Notes, plus accrued and unpaid interest.. Each Note is convertible at the option of the holder into shares of common stock of the Company at a conversion price of \$1.37 per share. The Notes will automatically convert into common stock at the conversion price in the event (i) there exists a public market for the Company's common stock, (ii) the closing price of the common stock in the principal trading market has been \$2.00 per share or higher for the preceding ten (10) trading days, and (iii) either (A) there is an effective registration statement registering for resale under the Securities Act of 1933, as amended, the conversion shares or (B) the conversion shares are eligible to be resold by non-affiliates of the Company without restriction under Rule 144 under the Securities Act.

The Notes are secured by a senior mortgage on the Meadowview Healthcare Center located in Seville, Ohio.

2015 Debt Refinancing

During 2015, the Company paid off existing debt of \$880,000, with an interest rate of 12.0% maturing on October 1, 2016, and \$1,361,728, with an interest rate of 4.25% maturing on December 20, 2017, related to our Edwards Redeemer property. The debt was refinanced with a financial institution in the amount of \$2,303,815 at a fixed interest rate of 5.50% maturing on January 16, 2020.

Our Business

Healthcare Industry

Healthcare is the single largest industry in the U.S. based on Gross Domestic Product ("GDP"). According to the National Health Expenditures report by the Centers for Medicare and Medicaid Services ("CMS"): (i) national health expenditures are expected to remain just under 4.0% of GDP in 2015; (ii) the average compounded annual growth rate for national health expenditures, over the projection period of 2014 through 2024, is anticipated to be 5.8%; and (iii) health spending is projected to represent 19.6% of US GDP by 2024, up from 17.4% in 2013.

Senior citizens are the largest consumers of healthcare services. According to CMS, on a per capita basis, the 85-year and older segment of the population spends 99% more on healthcare than the 65 to 84-year-old segment and over 160% more than the population average.

Business Strategy

Our primary goal is to increase shareholder value through profitable growth. Our investment strategy to achieve this goal is based on three principles: (i) opportunistic investing, (ii) portfolio diversification and (iii) conservative financing.

Opportunistic Investing

We will make investment decisions that are expected to drive profitable growth and create shareholder value. We will attempt to position ourselves to create and take advantage of situations to meet our goals and investment criteria.

Portfolio Diversification

We believe in maintaining a portfolio of healthcare investments diversified by segment, geography, operator, tenant and investment product. Diversification reduces the likelihood that a single event would materially harm our business and allows us to take advantage of opportunities in different markets based on individual market dynamics. While pursuing our strategy of diversification, we will monitor, but will not limit, our investments based on the percentage of our total assets that may be invested in any one property type, investment product, geographic location, the number of properties which we may lease to a single operator or tenant, or mortgage loans we may make to a single borrower. With investments in multiple segments and investment products, we can focus on opportunities with the most attractive risk/reward profile for the portfolio as a whole. We may structure transactions as master leases, require

operator or tenant insurance and indemnifications, obtain credit enhancements in the form of guarantees, letters of credit or security deposits, and take other measures to mitigate risk.

Financing

We will strive to manage our debt-to-equity levels and maintain multiple sources of liquidity, access to capital markets and secured debt lenders, relationships with current and prospective institutional joint venture partners, and our ability to divest of assets. Our debt obligations will be primarily fixed rate with staggered maturities, which reduces the impact of rising interest rates on our operations.

We plan to finance our investments based on our evaluation of available sources of funding. For short-term purposes, we may arrange for short-term borrowings from banks or other sources. We may also arrange for longer-term financing through offerings of equity and debt securities, placement of mortgage debt and capital from other institutional lenders and equity investors.

Competition

Investing in real estate serving the healthcare industry is highly competitive. We will face competition from REITs, investment companies, private equity and hedge fund investors, sovereign funds, healthcare operators, lenders, developers and other institutional investors, some of whom may have greater resources and lower costs of capital than we do. Increased competition makes it more challenging for us to identify and successfully capitalize on opportunities that meet our objectives. Our ability to compete may also be impacted by national and local economic trends, availability of investment alternatives, availability and cost of capital, construction and renovation costs, existing laws and regulations, new legislation and population trends.

Income from our facilities is dependent on the ability of our operators and tenants to compete with other companies on a number of different levels, including: the quality of care provided, reputation, the physical appearance of a facility, price and range of services offered, alternatives for healthcare delivery, the supply of competing properties, physicians, staff, referral sources, location, the size and demographics of the population in surrounding areas, and the financial condition of our tenants and operators. Private, federal and state payment programs as well as the effect of laws and regulations may also have a significant influence on the profitability of our tenants and operators.

Healthcare Segments

Senior housing. Senior housing facilities include assisted living facilities ("ALFs"), independent living facilities ("ILFs") and continuing care retirement communities ("CCRCs"), which cater to different segments of the elderly population based upon their needs. Services provided by our operators or tenants in these facilities are primarily paid for by the residents directly or through private insurance and are less reliant on government reimbursement programs such as Medicaid and Medicare. Senior housing property types are further described below.

Assisted Living Facilities. ALFs are licensed care facilities that provide personal care services, support and housing for those who need help with activities of daily living ("ADL") yet require limited medical care. The programs and services may include transportation, social activities, exercise and fitness programs, beauty or barber shop access, hobby and craft activities, community excursions, meals in a dining room setting and other activities sought by residents. These facilities are often in apartment-like buildings with private residences ranging from single rooms to large apartments. Certain ALFs may offer higher levels of personal assistance for residents with Alzheimer's disease or other forms of dementia. Levels of personal assistance are based in part on local regulations.

Independent Living Facilities. ILFs are designed to meet the needs of seniors who choose to live in an environment surrounded by their peers with services such as housekeeping, meals and activities. These residents generally do not need assistance with ADL, such as bathing, eating and dressing. However, residents have the option to contract for these services.

Continuing Care Retirement Communities. CCRCs provide housing and health-related services under long-term contracts. This alternative is appealing to residents as it eliminates the need for relocating when health and medical needs change, thus allowing residents to "age in place." Some CCRCs require a substantial entry or buy-in fee and most also charge monthly maintenance fees in exchange for a living unit, meals and some health services. CCRCs typically require the individual to be in relatively good health and independent upon entry.

Post-acute/skilled nursing. Skilled Nursing Facilities (SNF) offer restorative, rehabilitative and custodial nursing care for people not requiring the more extensive and sophisticated treatment available at hospitals. Ancillary revenues and revenues from sub-acute care services are derived from providing services to residents beyond room and board and include occupational, physical, speech, respiratory and intravenous therapy, wound care, oncology treatment, brain injury care and orthopedic therapy as well as sales of pharmaceutical products and other services. Certain SNFs provide some of the foregoing services on an out-patient basis. Post-acute/skilled nursing services provided by our operators and tenants in these facilities will be primarily paid for either by private sources or through the Medicare and Medicaid programs.

Life science. These properties contain laboratory and office space primarily for biotechnology and pharmaceutical companies, scientific research institutions, government agencies and other organizations involved in the life science industry. While these properties contain similar characteristics to commercial office buildings, they generally contain more advanced electrical, mechanical, and heating, ventilating, and air conditioning ("HVAC") systems. The facilities generally have equipment including emergency generators, fume hoods, lab bench tops and related amenities. In many instances, life science tenants make significant investments to improve their leased space, in addition to landlord improvements, to accommodate biology, chemistry or medical device research initiatives.

Medical office. Medical office buildings ("MOBs") typically contain physicians' offices and examination rooms, and may also include pharmacies, hospital ancillary service space and outpatient services such as diagnostic centers, rehabilitation clinics and day-surgery operating rooms. While these facilities are similar to commercial office buildings, they require additional plumbing, electrical and mechanical systems to accommodate multiple exam rooms that may require sinks in every room, and special equipment such as x-ray machines. In addition, MOBs are often built to accommodate higher structural loads for certain equipment and may contain "vaults" or other specialized construction. We expect our MOBs will be typically multi-tenant properties leased to healthcare providers (hospitals and physician practices).

Hospital. Services provided by our operators and tenants in these facilities are paid for by private sources, third-party payors (e.g., insurance and Health Maintenance Organizations or "HMOs"), or through the Medicare and Medicaid programs. Hospital property types include acute care, long-term acute care, and specialty and rehabilitation hospitals.

Investment Products

Properties under lease. We plan to primarily generate revenue by leasing properties under long-term leases. Most of our rents and other earned income from leases will be received under triple-net leases or leases that provide for a substantial recovery of operating expenses. However, some of our MOBs and life science facility rents will be structured under gross or modified gross

leases. Accordingly, for such gross or modified gross leases, we may incur certain property operating expenses, such as real estate taxes, repairs and maintenance, property management fees, utilities and insurance.

Our ability to grow income from properties under lease depends, in part, on our ability to (i) increase rental income and other earned income from leases by increasing rental rates and occupancy levels, (ii) maximize tenant recoveries and (iii) control non-recoverable operating expenses. Most of our leases will include contractual annual base rent escalation clauses that are either predetermined fixed increases and/or are a function of an inflation index.

Debt investments. Our mezzanine loans will generally be secured by a pledge of ownership interests of an entity or entities, which directly or indirectly own properties, and are subordinate to more senior debt, including mortgages and more senior mezzanine loans. Our interest in mortgages and construction financing will typically be issued by healthcare providers and will generally be secured by healthcare real estate.

Developments and redevelopments. We will generally commit to development projects that are at least 50% pre-leased or when we believe that market conditions will support speculative construction. We will work closely with our local real estate service providers, including brokerage, property management, project management and construction management companies to assist us in evaluating development proposals and completing developments. Our development and redevelopment investments will likely be in the life science and medical office segments. Redevelopments are properties that require significant capital expenditures (generally more than 25% of acquisition cost or existing basis) to achieve property stabilization or to change the primary use of the properties.

Investment management. We may co-invest in real estate properties with institutional investors through joint ventures structured as partnerships or limited liability companies. We may target institutional investors with long-term investment horizons who seek to benefit from our expertise in healthcare real estate. Predominantly, we plan to retain noncontrolling interests in the joint ventures ranging from 20% to 30% and serve as the managing member. These ventures generally allow us to earn acquisition and asset management fees, and have the potential for promoted interests or incentive distributions based on performance of the joint venture.

Operating properties ("RIDEA"). We may enter into contracts with healthcare operators to manage communities that are placed in a structure permitted by the Housing and Economic Recovery Act of 2008 (commonly referred to as "RIDEA"). Under the provisions of RIDEA, a REIT may lease "qualified health care properties" on an arm's length basis to a taxable REIT subsidiary ("TRS") if the property is operated on behalf of such subsidiary by a person who qualifies as an "eligible independent contractor." We view RIDEA as a structure primarily to be used on properties that present attractive valuation entry points, where repositioning with a new operator that is aligned with health care providers can bring scale, operating efficiencies, and/or ancillary services to drive growth.

Government Regulations, Licensing and Enforcement

Overview

Our tenants and operators will typically be subject to extensive and complex federal, state and local healthcare laws and regulations relating to fraud and abuse practices, government reimbursement, licensure and certificate of need and similar laws governing the operation of healthcare facilities, and we expect that the healthcare industry, in general, will continue to face increased regulation and pressure in the areas of fraud, waste and abuse, cost control, healthcare management and provision of services, among others. These regulations are wide-ranging and can subject our tenants and operators to civil, criminal and administrative sanctions. Affected tenants and operators may find it increasingly difficult to comply with this complex and evolving regulatory environment because of a relative lack of guidance in many areas as certain of our healthcare properties will be subject to oversight from several government agencies and the laws may vary from one jurisdiction to another. Changes in laws and regulations and reimbursement enforcement activity and regulatory non-compliance by our tenants and operators can all have a significant effect on their operations and financial condition, which in turn may adversely impact us.

We will seek to mitigate the risk to us resulting from the significant healthcare regulatory risks faced by our tenants and operators by diversifying our portfolio among property types and geographical areas, diversifying our tenant and operator base to limit our exposure to any single entity, and seeking tenants and operators who are not largely dependent on Medicaid reimbursement for their revenues. In addition, we ensure in each instance that our operators have obtained all necessary licenses and permits before beginning operations, and require that those operators covenant that they will comply with all applicable laws and regulations in connection with the facility operations.

The following is a discussion of certain laws and regulations generally applicable to our operators, and in certain cases, to us.

Fraud and Abuse Enforcement

There are various extremely complex federal and state laws and regulations governing healthcare providers' relationships and arrangements and prohibiting fraudulent and abusive practices by such providers. These laws include (i) federal and state false claims acts, which, among other things, prohibit providers from filing false claims or making false statements to receive payment from Medicare, Medicaid or other federal or state healthcare programs, (ii) federal and state anti-kickback and fee-splitting statutes, including the Medicare and Medicaid anti-kickback statute, which prohibit the payment or receipt of remuneration to induce referrals or recommendations of healthcare items or services, (iii) federal and state physician self-referral laws (commonly referred to as the "Stark Law"), which generally prohibit referrals by physicians to entities with which the physician or an immediate family member has a financial relationship, (iv) the federal Civil Monetary Penalties Law, which prohibits, among other things, the knowing presentation of a false or fraudulent claim for certain healthcare services and (v) federal and state privacy laws, including the privacy and security rules contained in the Health Insurance Portability and Accountability Act of 1996,

which provide for the privacy and security of personal health information. Violations of healthcare fraud and abuse laws carry civil, criminal and administrative sanctions, including punitive sanctions, monetary penalties, imprisonment, denial

of Medicare and Medicaid reimbursement and potential exclusion from Medicare, Medicaid or other federal or state healthcare programs. These laws are enforced by a variety of federal, state and local agencies and can also be enforced by private litigants through, among other things, federal and state false claims acts, which allow private litigants to bring qui tam or "whistleblower" actions. Many of our operators and tenants are subject to these laws, and some of them may in the future become the subject of governmental enforcement actions if they fail to comply with applicable laws.

Reimbursement

Sources of revenue for many of our tenants and operators will include, among other sources, governmental healthcare programs, such as the federal Medicare program and state Medicaid programs, and non-governmental payors, such as insurance carriers and HMOs. As federal and state governments focus on healthcare reform initiatives, and as many states face significant budget deficits, efforts to reduce costs by these payors will likely continue, which may result in reduced or slower growth in reimbursement for certain services provided by some of our tenants and operators.

Healthcare Licensure and Certificate of Need

Certain healthcare facilities in our portfolio will be subject to extensive federal, state and local licensure, certification and inspection laws and regulations. In addition, various licenses and permits are required to dispense narcotics, operate pharmacies, handle radioactive materials and operate equipment. Many states require certain healthcare providers to obtain a certificate of need, which requires prior approval for the construction, expansion and closure of certain healthcare facilities. The approval process related to state certificate of need laws may impact some of our tenants' and operators' abilities to expand or change their businesses.

Americans with Disabilities Act (the "ADA")

Our properties must comply with the ADA and any similar state or local laws to the extent that such properties are "public accommodations" as defined in those statutes. The ADA may require removal of barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. To date, we have not received any notices of noncompliance with the ADA that have caused us to incur substantial capital expenditures to address ADA concerns. Should barriers to access by persons with disabilities be discovered at any of our properties, we may be directly or indirectly responsible for additional costs that may be required to make facilities ADA-compliant. Noncompliance with the ADA could result in the imposition of fines or an award of damages to private litigants. The obligation to make readily achievable accommodations pursuant to the ADA is an ongoing one, and we continue to assess our properties and make modifications as appropriate in this respect.

Environmental Matters

A wide variety of federal, state and local environmental and occupational health and safety laws and regulations affect healthcare facility operations. These complex federal and state statutes, and their enforcement, involve a myriad of regulations, many of which involve strict liability on the part of the potential offender. Some of these federal and state statutes may directly impact us. Under various federal, state and local environmental laws, ordinances and regulations, an owner

of real property or a secured lender, such as us, may be liable for the costs of removal or remediation of hazardous or toxic substances at, under or disposed of in connection with such property, as well as other potential costs relating to hazardous or toxic substances (including government fines and damages for injuries to persons and adjacent property). The cost of any required remediation, removal, fines or personal or property damages and the owner's or secured lender's liability therefore could exceed or impair the value of the property, and/or the assets of the owner or secured lender. In addition, the presence of such substances, or the failure to properly dispose of or remediate such substances, may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral which, in turn, could reduce our revenues.

Taxation

Federal Income Tax Considerations

The following summary of the taxation of the Company and the material federal tax consequences to the holders of our debt and equity securities is for general information only and is not tax advice. This summary does not address all aspects of taxation that may be relevant to certain types of holders of stock or securities (including, but not limited to, insurance companies, tax-exempt entities, financial institutions or broker-dealers, persons holding shares of common stock as part of a hedging, integrated conversion, or constructive sale transaction or a straddle, traders in securities that use a mark-to-market method of accounting for their securities, investors in pass-through entities and foreign corporations and persons who are not citizens or residents of the United States).

This summary does not discuss all of the aspects of U.S. federal income taxation that may be relevant to you in light of your particular investment or other circumstances. In addition, this summary does not discuss any state or local income taxation or foreign income taxation or other tax consequences. This summary is based on current U.S. federal income tax law. Subsequent developments in U.S. federal income tax law, including changes in law or differing interpretations, which may be applied retroactively, could have a material effect on the U.S. federal income tax consequences of purchasing, owning and disposing of our securities as set forth in this summary. Before you purchase our securities, you should consult your own tax advisor regarding the particular U.S. federal, state, local, foreign and other tax consequences of acquiring, owning and selling our securities.

General

We will elect to be taxed as a real estate investment trust (a REIT) at such time as the Board of Directors, with the consultation of our professional advisors, determines that we qualify as a REIT under applicable provisions of the Internal Revenue Code. We cannot predict for which tax year that election will be made; however, we do not intend to make such an election for 2015. Therefore, applicable taxes have been recorded in the accompanying consolidated financial statements. Once we make the election to be treated as a REIT, we intend to continue to operate in such a manner as to qualify as a REIT, but there is no guarantee that we will qualify or remain qualified as a REIT for subsequent years. Qualification and taxation as a REIT depends upon our ability to meet a variety of qualification tests

imposed under federal income tax law with respect to income, assets, distribution level and diversity of share ownership. There can be no assurance

that we will be owned and organized and will operate in a manner so as to qualify or remain qualified.

In any year in which we qualify as a REIT, in general, we will not be subject to federal income tax on that portion of our REIT taxable income or capital gain that is distributed to stockholders. We may, however, be subject to tax at normal corporate rates on any taxable income or capital gain not distributed. If we elect to retain and pay income tax on our net long-term capital gain, stockholders are required to include their proportionate share of our undistributed long-term capital gain in income, but they will receive a refundable credit for their share of any taxes paid by us on such gain.

Despite the REIT election, we may be subject to federal income and excise tax as follows:

.

To the extent that we do not distribute all of our net capital gain or distribute at least 90%, but less than 100%, of our REIT taxable income, as adjusted, we will be subject to tax on the undistributed amount at regular corporate tax rates;

.

If we have net income from the sale or other disposition of foreclosure property that is held primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, such income will be taxed at the highest corporate rate;

.

Any net income from prohibited transactions (which are, in general, sales or other dispositions of property held primarily for sale to customers in the ordinary course of business, other than dispositions of foreclosure property and dispositions of property due to an involuntary conversion) will be subject to a 100% tax;

.

If we fail to satisfy either the 75% or 95% gross income tests, but nonetheless maintain our qualification as a REIT because certain other requirements are met, we will be subject to a 100% tax on an amount equal to (1) the gross income attributable to the greater of (i) 75% of our gross income over the amount of qualifying gross income for purposes of the 75% gross income test or (ii) 95% of our gross income over the amount of qualifying gross income for purposes of the 95% gross income test multiplied by (2) a fraction intended to reflect our profitability;

.

If we fail to distribute during each year at least the sum of (1) 85% of our REIT ordinary income for the year, (2) 95% of our REIT capital gain net income for such year (other than capital gain that we elect to retain and pay tax on) and (3) any undistributed taxable income from preceding periods, we will be subject to a 4% excise tax on the excess of such required distribution over amounts actually distributed;

.

We will be subject to a 100% tax on the amount of any rents from real property, deductions or excess interest paid to us by any of our taxable REIT subsidiaries that would be reduced through reallocation under certain federal income tax principles in order to more clearly reflect income of the taxable REIT subsidiary;

We may be subject to the corporate alternative minimum tax on any items of tax preference, including any deductions of net operating losses; and

For any investments which may qualify as prohibited transactions or restricted assets, we may elect to form a taxable REIT subsidiary to hold such investments or operations. Income from the taxable REIT subsidiary is subject to taxes at the usual federal and state tax rates.

On March 30, 2010, the President signed into law the Health Care and Education Reconciliation Act of 2010, which requires U.S. stockholders who meet certain requirements and are individuals, estates or certain trusts to pay an additional 3.8% tax on, among other things, dividends on and capital gains from the sale or other disposition of stock for taxable years beginning after December 31, 2012. U.S. stockholders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of shares of our stock.

EMPLOYEES

As of December 31, 2015, we had one full time employee. The Company also engages the services of consultants from time to time, some of which may be provided by affiliates of the Company at no cost.

ITEM 1A. RISK FACTORS

Not applicable.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

As of December 31, 2015, we owned nine senior living facilities. The following table provides summary information regarding these facilities.

Property Name	Location	Effective Percentage Equity Ownership	Date Acquired	Gross Square Feet	Purchase Price	Outstanding Debt at December 31, 2015
Middle GA Nursing Home (a/k/a Crescent Ridge)	Eastman, GA	100%	3/15/2013	28,808	\$ 5,000,000	\$ 3,849,678
Warrenton Health and Rehabilitation	Warrenton, GA	100%	12/31/2013	26,894	\$ 3,500,000	\$ 2,562,765
Southern Hills Retirement Center	Tulsa, OK	100%	2/07/2014	104,192	\$ 2,000,000	\$ 6,922,159
Goodwill Nursing Home	Macon, GA	83.62% ⁽²⁾	5/19/2014	46,314	\$ 7,185,000	\$ 5,857,047
Edwards Redeemer Health & Rehab	Oklahoma City, OK	100%	9/16/2014	31,939	\$ 3,142,233	\$ 2,249,772
Providence of Sparta Nursing Home	Sparta, GA	97.36% ⁽³⁾	9/16/2014	19,441	\$ 2,836,930	\$ 2,736,506
Providence of Greene Point Healthcare Center	Union Point, GA	100% ⁽³⁾	9/16/2014	26,948	\$ 2,948,253	\$ 2,817,000
Meadowview Healthcare Center	Seville, OH	100%	9/30/2014	27,500	\$ 3,000,000	\$ 3,200,000
Golden Years Manor Nursing Home	Lonoke, AR	75.5%	9/16/2014	40,737	\$ 6,742,767	\$ 6,321,537

Property Name	2015 Base Revenue Per Lease	Operating Lease Expiration
Middle Georgia Nursing Home (a/k/a Crescent Ridge)	\$ 570,000 ⁽⁵⁾	06/30/2017
Warrenton Health and Rehabilitation	\$ 379,634 ⁽⁴⁾	06/30/2016

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Southern Hills Retirement Center (1)	\$ 427,000	05/31/2019
Goodwill Nursing Home	\$ 734,400(5)	12/31/2017
Edwards Redeemer Health & Rehab	\$ 540,000(5)	12/31/2017
Providence of Sparta Nursing Home	\$ 270,180(4)	6/30/2016
Providence of Green Point Healthcare Center	\$ 287,052(4)	6/30/2016
Meadowview Healthcare Center	\$ 361,000	10/31/2024
Golden Years Manor Nursing Home	\$ 763,000(5)	05/31/2017

(1)

Southern Hills Retirement Center consists of a SNF, ALF and ILF under separate lease agreements. [The SNF is leased and operating. On the date acquired, the ALF and ILF were vacant and in need of renovation.] The Company expects to complete construction on the ALF and ILF during 2016. The ALF has a lease in place that will commence after construction is completed. The Company will seek a tenant for the ILF as construction reaches completion.

(2)

The subordinated note on Goodwill matured on July 1, 2015. Investors in the Goodwill note were entitled to an additional 5% equity in Goodwill Hunting, LLC every six months if the note is not paid when due. Effective December 31, 2015, the investors holding the subordinated debt executed an Agreement Among Lenders pursuant to which they (i) agreed to waive any and all equity ratchets and (ii) agreed to extend the maturity date of the subordinated debt to June 30, 2017. In exchange, Goodwill Hunting agreed to pay the investors an additional one-time premium equal to 5% of the principal amount of the individual note at such time as the note is repaid.

(3)

The subordinated notes on Sparta and Greene Point matured on August 1, 2015. Investors in the Sparta and Greene Point notes are entitled to an additional 5% equity in Providence HR, LLC and Wash/Greene, LLC, respectively, every six months if the note is not paid when due. The Company's percentage ownership in Sparta gives effect to this equity ratchet; however effective December 31, 2015, the investors holding the subordinated debt in Greene Point executed an Agreement Among Lenders pursuant to which they (i) agreed to waive any and all equity ratchets and (ii) agreed to extend the maturity date of the subordinated debt to June 30, 2017. In exchange, Wash/Greene LLC agreed to pay the investors an additional one-time premium equal to 5% of the principal amount of the individual note at such time as the note is repaid.

(4)

The operating leases covering Warrenton, Sparta and Greene Pointe expire in June 2016 without renewal options. On August 18, 2015, the Company entered into lease agreements with another independent nursing home operator which expire on June 30, 2026. Initial monthly rents begin at \$52,000 for Warrenton and \$40,000 for both Providence and Green Pointe, all of which escalate over the lease term. The terms may be extended for one additional ten year term.

(5)

On January 22, 2016, the lease operator that operates Middle Georgia Nursing Home, Edwards Redeemer Health & Rehab, Goodwill Nursing Home and formerly Golden Years Manor Nursing Home filed a voluntary petition in bankruptcy under Chapter 11 of the U.S. Bankruptcy Code. We cannot predict the effect of this bankruptcy filing on future lease terms. The Golden Years Manor Nursing Home has been re-leased to an unaffiliated third party operator effective January 1, 2016 at an initial lease rate of \$360,000 per year, subject to future census adjustments.

ITEM 3. LEGAL PROCEEDINGS

From time to time in the ordinary course of business, we may become subject to legal proceedings, claims, or disputes. As of the date hereof, we are not a party to any pending legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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

The outstanding shares of Common Stock are traded over-the-counter and quoted on the OTC Bulletin Board ("OTCBB") under the symbol "GBCS". On April 25, 2011, the quotation was moved from the OTCBB to the OTCQB due to the lack of a market maker. The reported high and low bid and ask prices for the common stock are shown below for the period from January 2014 through December 31, 2015.

		<u>High</u>	<u>Low</u>
Jan	Mar 2014	\$1.28	\$0.75
Apr	June 2014	\$1.37	\$0.93
July	Sept 2014	\$1.05	\$0.83
Oct	Dec 2014	\$1.13	\$0.83
Jan	Mar 2015	\$1.05	\$0.81
Apr	June 2015	\$1.00	\$0.82
July	Sept 2015	\$1.10	\$0.74
Oct	Dec 2015	\$0.96	\$0.52

The closing price of the Company's common stock as of April 13, 2016 was \$0.35, as reported on the OTCQB. The OTCBB and OTCQB prices are bid and ask prices which represent prices between broker-dealers and do not include retail mark-ups and mark-downs or any commissions to the broker-dealer. The prices do not reflect prices in actual transactions. As of April 13, 2016, there were approximately 850 record owners of the Company's common stock.

The OTC Bulletin Board is a registered quotation service that displays real-time quotes, last sale prices and volume information in over-the-counter (OTC) securities. An OTC equity security generally is any equity that is not listed or traded on NASDAQ or a national securities exchange. The OTCBB is not an issuer listing service, market or exchange. Although the OTCBB does not have any listing requirements, per se, to be eligible for quotation on the OTCBB, issuers must remain current in their filings with the SEC or applicable regulatory authority.

The Company's Board of Directors may declare and pay dividends on outstanding shares of common stock out of funds legally available therefore in its sole discretion. For the years ended December 31, 2015 and 2014, the Company paid dividends on common stock of \$440,779, or \$0.02 per share, and \$414,613, or \$0.02 per share, respectively, in addition to the 8% dividends on our outstanding shares of Series D Preferred Stock. Future dividends

on our common stock will be authorized at the discretion of our board of directors and will depend on our actual cash flow, financial condition, capital requirements, annual distribution requirements under the REIT provisions of the Internal Revenue Code if and when we elect to be treated as a REIT, and other factors as our board of directors may deem relevant.

Recent Sales of Unregistered Securities

None, except as previously reported on Forms 8-K.

Securities Authorized for Issuance under Equity Compensation Plans

None.

ITEM 6.

SELECTED FINANCIAL DATA

Not applicable.

ITEM 7.

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

GOING CONCERN

The accompanying consolidated financial statements and notes have been prepared assuming the Company will continue as a going concern.

For the year ended December 31, 2015, the Company incurred a net loss of \$3,380,141, reported net cash used in operations of \$30,855 and has an accumulated deficit of \$4,840,289. These circumstances raise substantial doubt as to the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the Company's ability to generate sufficient revenues and cash flows to operate profitably and meet contractual obligations, or raise additional capital through debt financing or through sales of common stock.

The Company's net loss for the year ended December 31, 2015 was driven primarily by non-cash and in some cases non-recurring charges that management determined to recognize in the year, namely: Depreciation (\$1,115,700); Amortization (\$237,279); Bad Debt (\$550,651); Goodwill Impairment (\$1,750,454) and Stock Based Compensation (\$194,666), all of which represent an aggregate of \$3,848,750 in expenses. The Company does not expect to incur non-cash charges of a comparable magnitude in the future. In addition, the Company is addressing the repercussions

of the cumulative rental deficiencies caused by one of its lease operators that operated four of our properties and filed for Chapter 11 Bankruptcy in January 2016 and plans to place two of its non-revenue generating properties in Tulsa, Oklahoma on-line during 2016.

The failure to achieve the necessary levels of profitability and cash flows or obtain additional funding would be detrimental to the Company. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

RESULTS OF OPERATIONS

Rental revenue for the year ended December 31, 2015 totaled \$3,406,737, compared to \$1,853,809 for the year ended December 31, 2014, an increase of \$1,552,928. As of January 1, 2014, we owned two properties and acquired additional properties throughout 2014 thereby increasing our rental revenue. As of December 31, 2015 and 2014, we owned nine properties. We recognized no rental revenue related to our assisted living facility in Tulsa, Oklahoma which was to have begun April 1, 2015; however, additional renovations are required to open the facility. We expect to recognize rental revenues on the assisted living facility during 2016. Rental revenues for our independent living facility in Tulsa, Oklahoma will be recognized after construction activities and renovations have been completed, forecast to occur in 2016. Rental revenue in 2015 was negatively impacted by the bankruptcy filing of a lease operator that leased our Middle Georgia, Edwards Redeemer, Golden Years and Goodwill properties. Rents due from this lease operator totaling \$575,600 were not recognized as rental revenue during 2015.

General and administrative expenses were \$1,284,148 (which includes a non-recurring real property tax expense for Southern Hills in the amount of \$128,000) for the year ended December 31, 2015 compared to \$809,356 for the year ended December 31, 2014, an increase of \$474,792. For the years ended December 31, 2015 and 2014, general administrative expenses include \$194,666 and \$47,348, respectively, of share based compensation related to restricted stock and common stock awards granted. This classification also includes legal, accounting, and other professional fees incurred in complying with regulatory reporting requirements.

We expense acquisition costs for operating properties as incurred. Acquisition costs incurred for the years ended December 31, 2015 and 2014 totaled \$50,645 and \$250,909, respectively. We did not acquire any properties during the 2015 year; however, we incurred acquisition costs related to potential acquisitions which do not close. Acquisition costs during 2014 related to our acquisitions of Southern Hills Retirement Center and Meadowview Healthcare Center. We did not incur acquisition costs in 2014 related to other acquisitions which were acquired from related parties.

We recognized bad debt expense of \$550,651 and \$440,219 for the years ended December 31, 2015 and 2014, respectively. During 2015, we recognized bad debt expense of \$575,977 related to the bankruptcy of a lease operator who operated four of our properties. During 2015 and 2014, we recognized bad debt expense of \$380,000 and \$440,219, respectively, on advances to a company affiliated with Christopher Brogdon which were no longer deemed collectible. During 2015, we recognized additional bad debt expense on notes receivable and notes receivable related parties which we determined to be uncollectible based on the borrower's ability to repay.

We conducted our annual goodwill impairment test during the fourth quarter of 2015. Due to continued operating losses and cash flow deficiencies during 2015, we assessed qualitative factors and determined that we could not conclude that it was more likely than not that the fair value of goodwill exceeded its carrying value for the goodwill recorded. Accordingly, we proceeded to a quantitative evaluation of potential impairment of goodwill. As a result, we impaired goodwill in its entirety and recorded an impairment charge of \$1,750,454 during 2015. We determined that no impairment write-down was required as of December 31, 2014.

On January 27, 2014, we acquired a 100% membership interest in Wood Moss, LLC which owned Scottsburg Healthcare Center in Scottsburg, Indiana. We accounted for the acquisition as

a business combination under U.S. GAAP. On March 10, 2014, Scottsburg Healthcare Center was sold for cash proceeds of \$3.4 million under a purchase agreement dated October 9, 2008, as amended and assigned. For the year ended December 31, 2014, we recognized a loss on the sale of property and equipment of \$381,395.

Depreciation expense totaled \$1,115,700 for the year ended December 31, 2015 compared to \$624,311 for the year ended December 31, 2014, an increase of \$491,389. The increase in depreciation expense is due to the addition of properties to our portfolio during 2014 and the depreciation of our Southern Hills skilled nursing facility. We have not recorded depreciation expense on our independent living and assisted living facilities located at our Southern Hills Retirement Center which will commence once renovations have been completed and the property is placed in service.

On February 7, 2014, we acquired Southern Hills Retirement Center for a purchase price of \$2 million. The excess of the fair value of the assets acquired gave rise to a gain on bargain purchase of \$3.0 million for the year ended December 31, 2014.

Warrants to purchase our common stock with nonstandard anti-dilution provisions, regardless of the probability or likelihood that may conditionally obligate the issuer to ultimately transfer assets, are classified as liabilities and are recorded at their estimated fair value at each reporting period. For the year ended December 31, 2015, we recognized a change in fair value of the warrant liability of \$638,172.

Interest income of \$82,132 and \$91,373 was recognized for the years ended December 31, 2015 and 2014, respectively, from outstanding notes receivable and notes receivable from related parties.

Interest expense totaled \$2,809,272 for the year ended December 31, 2015 compared to \$968,613 for the year ended December 31, 2014, an increase of \$1,840,659. The increase in interest expense is attributable to the increase in debt outstanding during 2015 compared to the 2014. Capitalized interest on construction in progress related to renovations at our Southern Hills Retirement Center totaled \$105,867 and \$188,589 for the years ended December 31, 2015 and 2014, respectively.

SUMMARY OF CRITICAL ACCOUNTING POLICIES

Set forth below is a summary of the accounting policies that management believes are critical to the preparation of the consolidated financial statements. Certain of these accounting policies are particularly important for an understanding of the financial position and results of operations presented in the consolidated financial statements set forth elsewhere in this report. These policies require application of judgment and assumptions by management and, as a result, are subject to a degree of uncertainty. Actual results could differ as a result of such judgment and assumptions.

Property Acquisitions

We allocate the purchase price of acquired properties to net tangible and identified intangible assets based on relative fair values. Fair value estimates are based on information obtained from

independent appraisals, other market data, information obtained during due diligence and information related to the marketing and leasing at the specific property. Acquisition-related costs such as due diligence, legal and accounting fees are expensed as incurred. Initial valuations are subject to change during the measurement period, but the period ends as soon as the information is available. The measurement period shall not exceed one year from the date of acquisition.

Impairment of Long Lived Assets

When circumstances indicate the carrying value of a property may not be recoverable, the Company reviews the asset for impairment. This review is based on an estimate of the future undiscounted cash flows, excluding interest charges, expected to result from the property's use and eventual disposition. This estimate considers factors such as expected future operating income, market and other applicable trends and residual value, as well as the effects of leasing demand, competition and other factors. If impairment exists, due to the inability to recover the carrying amount of the property, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property. Estimated fair value is determined with the assistance from independent valuation specialists using recent sales of similar assets, market conditions or projected cash flows of properties using standard industry valuation techniques.

Goodwill

Goodwill represents the excess of purchase price over the fair values of the respective identifiable assets acquired and liabilities assumed in business combinations. Goodwill resulting from acquisitions is not amortized, but is tested for impairment annually or whenever events change and circumstances indicate that it is more likely than not that an impairment loss has occurred using specific methods described in U.S. GAAP. As allowed by U.S. GAAP, management initially performs a qualitative analysis of goodwill using qualitative factors to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount including goodwill. Such qualitative factors include macroeconomic conditions, industry and market considerations, cost factors, overall financial performance and other relevant entity-specific events. If after assessing the totality of events or circumstances, the Company determines through the qualitative assessment that the fair value of a reporting unit more likely than not exceeds its carrying value, no further evaluation is necessary, and performing the two-step impairment test outlined in U.S. GAAP is not required.

Notes Receivable and Notes Receivable Related Parties

The Company evaluates its notes receivable for impairment when it is probable the payment of interest and principal will not be made in accordance with the contractual terms of the note receivable agreements. Once a note has been determined to be impaired, it is measured to establish the amount of the impairment, if any, based on the fair value, as determined by the present value of expected future cash flows discounted at the note's effective interest rate. If the fair value of the impaired note receivable is less than the recorded investment in the note, a valuation allowance is recognized.

LIQUIDITY AND CAPITAL RESOURCES

Throughout its history, the Company has experienced shortages in working capital and has relied, from time to time, upon sales of debt and equity securities to meet cash demands generated by our acquisition activities.

At December 31, 2015, the Company had cash and cash equivalents of \$71,055 on hand. Our liquidity is expected to increase from potential equity and debt offerings and decrease as net offering proceeds are expended in connection with the acquisition of properties. Our continuing short-term liquidity requirements consisting primarily of operating expenses and debt service requirements are expected to be satisfied from rental revenues received and existing cash on hand. We plan to renew senior debt that matures during 2016, as our projected cash flow from operations will be insufficient to retire the debt. Our restricted cash totaled \$541,835 as of December 31, 2015 which is reserved for debt service associated with our Southern Hills Retirement Center.

Cash used in operating activities was \$30,855 for the year ended December 31, 2015 compared to cash used in operating activities of \$626,783 for the year ended December 31, 2014. Cash flows provided by operations in 2015 were primarily impacted by additional rental revenues received from our 2014 acquisitions offset by interest expense on outstanding debt.

Cash provided by investing activities was \$352,373 for the year ended December 31, 2015 compared to cash used in investing activities of \$7,148,123 for the year ended December 31, 2014. For the year ended December 31, 2015, we issued a note receivable in the amount of \$150,000 to a nursing home operator, collected \$574,719 from notes receivable to related parties, received back \$500,000 in earnest money on deposit related to a potential acquisition and expended \$598,049 on construction related to our Southern Hills campus. There were no acquisitions of properties during 2015 compared to the seven acquisitions recorded during 2014.

Cash used in financing activities was \$784,060 for the year ended December 31, 2015 compared to cash provided by financing activities of \$7,128,311 for the year ended December 31, 2014. During 2015, we made payments on debt approximating \$2.9 million, received proceeds from issuance of debt of approximately \$2.6 million, and paid \$440,779 in dividends on our common stock. During 2014, we received \$3.2 million in gross cash proceeds from the issuance of common stock and proceeds of \$11.4 million from the issuance of debt, offset by payments on debt of \$5.8 million.

As of December 31, 2015 and 2014, our debt balances consisted of the following:

	2015	2014
Convertible Notes Payable	\$ 3,200,000	\$ 3,200,000

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Fixed-Rate Mortgage Loans	14,461,421	13,660,830
Variable-Rate Mortgage Loans	8,050,043	8,216,660
Bonds Payable, net of discount	5,625,996	5,623,384
Other Debt - Related Parties	5,105,000	6,110,000
	\$ 36,442,460	\$ 36,810,874

The weighted average interest rate and term of our fixed rate debt are 7.0% and 5.9 years, respectively, as of December 31, 2015. The weighted average interest rate and term of our variable rate debt are 5.9% and 12.9 years, respectively, as of December 31, 2015.

We have \$11.1 million of debt maturing during the year ending December 31, 2016. While we anticipate being able to refinance all the loans at reasonable market terms upon maturity, our inability to do so may impact our financial position and results of operations. We expect to refinance \$8.0 in mortgage loans maturing in 2016 as the associated properties meet loan to value requirements currently being employed in commercial lending markets. We have \$2.7 million in subordinated debt maturing in 2016. As indicated in the table below, investors in the subordinated debt may receive additional equity interests in our properties if the subordinated debt is not paid when due. See the consolidated financial statements included elsewhere in the Form 10-K for additional debt details. The following is a summary of our subordinated debt at December 31, 2015:

Subordinated Debt

Our subordinated debt at December 31, 2015 and 2014 includes unsecured notes payable issued to controlled entities used to facilitate the acquisition of the nursing home properties.

Property	Face Amount	Principal Outstanding at December 31,		Stated Interest Rate	Maturity Date
		2015	2014		
Goodwill Nursing Home Edwards Redeemer	2,180,000	\$ 1,280,000	\$ 1,380,000	13.0 % ⁽¹⁾ Fixed	June 30, 2017 ⁽²⁾
Health & Rehab Providence of Sparta	880,000	-	880,000	12.0% Fixed	Repaid January, 2015
Nursing Home Providence of Greene Point	1,050,000	1,050,000	1,050,000	10.0% Fixed	August 1, 2016 ⁽³⁾
Healthcare Center Golden Years Manor	1,150,000 1,650,000	1,125,000 1,650,000	1,150,000 1,650,000	10.0% Fixed 11.0% Fixed	June 30, 2017 ⁽⁴⁾ April 1, 2016 ⁽⁵⁾

Nursing Home

\$ 5,105,000

\$ 6,110,000

(1)

The interest rate on this note increased from 12% to 13% per annum effective January 1, 2015.

(2)

The subordinated note on Goodwill matured on July 1, 2015. Investors in the Goodwill note were entitled to an additional 5% equity in Goodwill Hunting, LLC every six months if the note is not paid when due. Effective December 31, 2015, all of the holders of the Goodwill subordinated note executed an Agreement

Among Lenders pursuant to which they (i) waived all equity ratchets and (ii) extended the maturity date of their notes to June 30, 2017.

(3)

The subordinated note on Sparta matured on August 1, 2015. Investors in the Sparta note are entitled to an additional 5% equity in Providence HR, LLC every six months if the note is not paid when due. The Company is negotiating with these investors to purchase their residual equity interests in exchange for shares of common stock. There can be no assurance that these negotiations will be successful.

(4)

The subordinated note on Greene Point matured on October 1, 2015. Investors in the Greene Point note were entitled to an additional 5% equity in Wash/Greene, LLC, the entity that owns the facility, every six months if the note is not paid when due. Effective December 31, 2015, all of the holders of the Wash/Greene subordinated note executed an Agreement Among Lenders pursuant to which they (i) waived all equity ratchets and (ii) extended the maturity date of their notes to June 30, 2017.

(5)

Effective January 1, 2016, we entered into a new operating lease with a new operator for GL Nursing, LLC. Under the new lease, the base rent was reduced to a level that permits payment of the senior loan, but is insufficient to pay interest on the subordinated debt. The Company has been accruing the unpaid interest but is in default under the Note. A further event of default is the note's past maturity. Base rent under the new operating lease adjusts based upon the occupancy census; however there can be no prediction when those adjustments will occur.

The mortgage loan collateralized by the Golden Years Manor Nursing Home is 80% guaranteed by the USDA and is subject to financial covenants and customary affirmative and negative covenants. As of December 31, 2015, the Company was not in compliance with certain of these covenants which is considered to be an Event of Default as defined in the note agreement. Remedies available to the lender in the event of a continuing Event of Default, at its option, include, but are necessarily limited to the following (1) lender may declare the principal and all accrued interest on the note due and payable; and (2) lender may exercise additional rights and remedies under the note agreement to include taking possession of the collateral or seeking satisfaction from the guarantors. The Company has not been notified by the lender regarding the exercise of any remedies available. Guarantors under the mortgage loan are Christopher Brogdon and GLN Investors, LLC, which the Company owns a 100% membership interest.

Other mortgage loans contain non-financial covenants, including reporting obligations, with which the Company has complied in some instances in an untimely manner. These technical defaults are not deemed material, and the Company considers its relationships with its senior lenders to be very good.

The Company receives the services of consultants and affiliates for which they are not compensated either through cash or equity, and such costs are not currently recorded in the consolidated financial statements but are necessary for the operation of the business.

Contractual Obligations

As of December 31, 2015, we had the following contractual debt obligations:

	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
Notes and Bonds Payable - Principal	\$ 33,316,464	\$ 11,137,183	\$ 10,321,718	\$ 2,374,766	\$ 9,482,797
Notes and Bonds Payable - Interest	14,348,592	1,927,068	2,424,646	1,440,732	8,556,146
Convertible Notes Payable - Principal	3,200,000	-	3,200,000	-	-
Convertible Notes Payable - Interest	363,431	209,129	154,302	-	-
Total Contractual Obligations	\$ 51,228,487	\$ 13,273,380	\$ 16,100,666	\$ 3,895,498	\$ 17,958,943

Revenues from operations are sufficient to meet the working capital needs of the Company for the foreseeable future. Cash on hand, combined with the repayment of our note receivable with Gemini Gaming of \$573,428 during 2016 and revenues generated from operations, are in excess of operating expenses and debt service requirements. Debt maturities are expected to be refinanced at reasonable terms upon maturity. The Company anticipates a combination of conventional mortgage loans, at market rates, issuance of revenue bonds and possibly additional equity injections to fund the acquisition cost of any additional properties. Except for renovations at our Southern Hills Retirement Center, there are no capital improvement and recurring capital expenditure commitments at the properties.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that we consider material.

Subsequent Events*Acquisition of Non-Controlling Interests*

Effective January 1, 2016, we purchased an aggregate of 24.5% in membership interests in GL Nursing, LLC in consideration of 54,000 shares of common stock. The acquisition of these membership interests resulted in the Company having 100% ownership in GL Nursing, LLC.

Issuance of Restricted Stock

Effective January 14, 2016, the Company issued to each of its five directors a restricted stock award of 45,455 shares or, an aggregate of 227,275 shares of common stock valued at \$0.66 per share in consideration of services provided.

Bankruptcy of Significant Lease Operator

On January 22, 2016, a lease operator that operates Middle Georgia Nursing Home in Eastman, Georgia, Edwards Redeemer Nursing Center in Oklahoma City, OK, Goodwill Nursing Home in Macon, Georgia, and formerly operated Golden Years Manor in Lonoke, Arkansas filed a voluntary petition in bankruptcy under Chapter 11 of the U.S. Bankruptcy Code in the US District Court in Chattanooga, TN. As of December 31, 2015, the Company was due rents of \$575,600 from the lease operator and held security deposits of \$176,667. The Company has recorded an allowance for uncollectible accounts of \$398,933 related to rents due from the lease operator as of December 31, 2015. Deferred rent receivables arising from the straight line recognition of rents related to these leases totaled \$177,044 as of December 31, 2015. The Company has recorded an allowance for uncollectible accounts of \$177,044 related to the deferred rent receivables as of December 31, 2015. Under the Chapter 11 Bankruptcy, the lease operator can either assume or reject the leases at Middle Georgia, Edwards Redeemer and Goodwill. As of the date of this Report, the lease operator has not made any binding elections, but has verbally represented that he intends to assume the leases at Middle Georgia and Edwards Redeemer and reject the lease covering Goodwill. If the lease operator assumes a lease, he is required to bring the leases current as a condition to such assumption. As of the date of this Annual Report, we are negotiating the terms of new amendments to the operating leases for Middle Georgia and Edwards Redeemer, but there can be no assurance if those amendments will be accepted.

Effective January 1, 2016, we re-leased the Golden Years Manor facility to an unaffiliated third party operator after a history of poor performance by the lease operator. The new lease has an initial rent of \$30,000 per month and increases based on census targets. The lease has a 10 year term.

Closure of Goodwill Nursing Home

The Goodwill Nursing Home located in Macon, Georgia was closed by State of Georgia regulators in January, 2016. All residents of the Goodwill facility have been moved, and the property is currently vacant. We do not expect the lease operator in bankruptcy to assume the current lease, and we are negotiating with new lease operators to recertify the facility and assume operations. There can be no assurance that those efforts will be successful.

Repayment of Gemini Gaming LLC Note

During the first quarter ended March 31, 2016, the Company collected an aggregate of \$573,428 in repayment of the note from Gemini Gaming, LLC which the Company accepted in full

satisfaction of the total outstanding liability under the note. The transaction resulted in the Company recognizing a nominal bad debt expense in the amount of \$9,044.

ITEM 7A.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

ITEM 9.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A.

CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, as of the end of the period covered by this Report, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Act of 1934. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be included in our Securities and Exchange Commission reports is recorded,

processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, relating to the Company, including our consolidated subsidiaries, and was made known to them by others within those entities, particularly during the period when this report was being prepared.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives.

Our management, including our CEO and CFO, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this Report. Based on this evaluation, our CEO and CFO concluded that the design and operation of our disclosure controls and procedures were not effective as of such date to provide assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded,

processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to management as appropriate, to allow timely decisions regarding disclosures.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with U.S. GAAP.

Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP and our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention of overriding controls. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on this evaluation, management concluded that that our internal control over financial reporting was not effective as of December 31, 2015. Our CEO and CFO concluded we have a material weakness due to lack of segregation of duties and a limited corporate governance structure. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

Our size has prevented us from being able to employ sufficient resources to enable us to have an adequate level of supervision and segregation of duties within our system of internal control. Therefore, while there are some compensating controls in place, it is difficult to ensure effective segregation of accounting and financial reporting duties. Management

reported a material weakness resulting from the combination of the following significant deficiencies:

.
Lack of segregation of duties in certain accounting and financial reporting processes including the initiation, processing, recording and approval of disbursements;

.
Lack of a formal review process that includes multiple levels of review.

While we strive to segregate duties as much as practicable, there is an insufficient volume of transactions at this point in time to justify additional full time staff. We believe that this is typical in many new ventures. We may not be able to fully remediate the material weakness until we hire more staff. We will continue to monitor and assess the costs and benefits of additional staffing.

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to the SEC rules that permit us to provide only management's report in this Annual Report.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the quarter ended December 31, 2015, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B.

OTHER INFORMATION

None.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS
AND CORPORATE GOVERNANCE.****Directors and Executive Officers**

The name, position with the Company, age of each Director and executive officer of the Company is as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Director/Officer Since</u>
Steven Bathgate	61	Director	2013
Clifford L. Neuman	67	Director, Secretary	2014
Andrew L. Sink	48	Director, Interim COO	2015
Philip Scarborough	70	CFO	2013
Lance Baller	41	Interim CEO, President, Director	2015
Zvi Rhine	36	Director	2015
S. Lee Kuwica	48	Vice President, Finance	2016

Lance Baller, age 41, serves as a director and sole or principal shareholder of several privately owned businesses, including Baller Enterprises, Inc. from 1993 to the present (personal holding company), High Speed Mines, LLC and High Speed Aggregate, LLC (gold, sand, rock and gravel mining), RM Investments, LLC (fast food real estate), HSA Bedrock, LLC (landscape material supply) and Baller Family Foundation, Inc. (personal family foundation). He is also the co-founder, former CEO and President of Iofina plc, a technology leader in the production of iodine and iodine derivatives, where he continues to serve as Chairman. He is the former managing partner of Shortline Equity Partners, Inc. (2004 to 2010), a mid-market merger and acquisitions consulting and investment company. Mr. Baller is also the former Managing Partner of Elevation Capital Management, LLC (2005 to 2010) and is the former alternative investment hedge fund manager of the Elevation Fund. He is also a former Vice-President of Corporate Development and Communications (2003 to 2004) of Integrated Biopharma, Inc. and prior to that a vice-president of the investment banking firms UBS and Morgan Stanley. He was also a director of Equal Earth, Inc. (2013 to 2014). He has served on numerous boards of directors of both private and public companies, including Index Asset Management, Inc., where he has served on the Board of Trustees since 2014.

Steven Bathgate is a founder and Senior Managing Partner of GVC Capital LLC, a registered broker-dealer and investment bank located in Greenwood Village, Colorado since 1996. Prior to starting GVC Capital, he was Chairman and Chief Executive Officer of Cohig & Associates, Inc., an investment banking firm. He received a BS degree in Finance from the University of Colorado.

Clifford L. Neuman has been engaged as a principal in his own law firms for over 40 years, emphasizing corporate and securities law in the representation of companies in matters of corporate finance, mergers, acquisitions, reorganizations and public and private offerings. Mr. Neuman has served on the boards of directors of numerous public, private and non-profit companies and has been actively involved in the process of capital formation on behalf

of his

clients for many years. He is also the Managing Partner of Gemini Gaming, LLC, which owns and operates a gaming casino in Blackhawk, Colorado. He currently serves as Chairman of the Board of Medicine Horse Program, a non-profit equine assisted psychotherapy facility in Boulder, a Director and CEO of Ratna Foundation, a non-profit charitable foundation, and a member of the Governing Council of Shambhala Mountain Center, a non-profit retreat center in Red Feather Lakes, Colorado. Mr. Neuman received his Juris Doctorate degree from the University of Pennsylvania (1973) and his Bachelor of Arts degree, magna cum laude from Trinity College, Hartford, Connecticut (1970), where he was elected to Phi Beta Kappa.

Andrew L. Sink is currently the Managing Director of the Investment Advisory division and Principal for Colliers International | Alabama. His team provides investment property advisory, investment property brokerage, investment fund structuring and real estate investment management to high net worth families and individuals. His team also provides advisory services to privately held operating companies seeking to enhance enterprise value via various real estate strategies including sale leaseback and private fund structuring. Mr. Sink has more than 20 years experience in the real estate industry with a broad range of expertise in real estate brokerage and investments. Prior to his role at Colliers International, Mr. Sink was Managing Director of Founders Investment Properties (FIP) which spun out of Founders Investment Banking in December 2011. Prior to the formation of FIP, Mr. Sink was a partner at Founders Investment Banking, LLC where he served as Managing Director of the firm's real estate advisory practice from 2004-2011. During this same time period he and his partners formed Foundation Fund Management Company (FFMC). FFMC has created multiple niche private equity funds, which included Foundation Sale Leaseback Fund, Foundation Cypress Development Fund, Foundation Retail Development Fund, Foundation Residential Acquisition Fund and Foundation New Media Fund. Prior to joining Founders, he was a partner in the commercial real estate firm Eason, Graham & Sandner, Inc. (EGS) from 1993-2004 and was responsible for the Industrial Services Division. Mr. Sink earned a Bachelor of Science degree in finance with a concentration in real estate from The University of Alabama, graduating in 1990. He holds a state of Alabama real estate broker's license.

Zvi Rhine, age 36, has over 15 years of experience in the securities industry. He is the principal and managing member of Sabra Capital Partners which he founded in 2012, a multi-strategy hedge fund that focuses on event-driven, value and special situations investments primarily in North America. Prior to founding Sabra Capital Partners, he worked at Hilco Trading concentrating on asset-backed investments and sale-leaseback transactions. From 2005 to 2008, he was a Director of Boone Capital, an event-driven hedge fund concentrating on small to mid-cap companies. Mr. Rhine has also worked in various investment capacities for Banc of America Securities and US Bancorp Piper Jaffray. He is a graduate of the University of Illinois.

Sandra Lee Kuwica was Senior Vice President of Finance and Investor Relations at Colonial Trust Properties, a public Real Estate Investment Trust located in Birmingham, Alabama, until her retirement in 2004. Previously, she was Director, Executive Group at Medpartners, Inc. Before that, she was with Citicorp Securities, Inc. where she was Assistant VP, Acquisition Finance Loan Structuring and Syndications. She also served as Senior Consultant at Price Waterhouse. Ms. Kuwica holds a BS Degree in Accounting and Computer Science from Wake Forest University (1989) and an MBA from Cornell University (1994).

Philip Scarborough previously served as Chief Financial Officer of West Paces Ferry Healthcare REIT, Inc. from inception in 2013 until its acquisition by Global Healthcare REIT, Inc. Mr. Scarborough is a CPA and has practiced as a sole practitioner for the last several years. Mr. Scarborough served as Chief Financial Officer for a technical firm with contracts with United Space Alliance, operators of the Space Shuttle program. Mr. Scarborough was previously employed by Arthur Andersen & Co. and Arthur Young, both national CPA firms.

Family Relationships

None.

Board Meeting and Compensation

During the fiscal year ended December 31, 2014, meetings of the Board of Directors were held both in person and telephonically, and business of the board was also conducted by written unanimous consent. There were four meetings of the Board during 2014. All Board members attended 100% of the Board meetings. Directors are entitled to reimbursement of their expenses associated with attendance at such meeting or otherwise incurred in connection with the discharge of their duties as a Director.

During fiscal 2015, the entire Board of Directors assumed all responsibilities of the Audit, Compensation and Nominating Committees. The board had no formal standing committees, but plans to create those committees when it determines that those committees would be beneficial. No member of the Audit, Compensation or Nominating Committees will receive any additional compensation for his service as a member of that Committee.

During fiscal 2014, the Board adopted the Director Compensation Plan (the *Plan*) pursuant to which each Director of the Company, whether or not independent, and whether or not such Director holds any other position with the Company, including any position as an executive officer, shall be entitled to an annual grant of restricted common stock in compensation for services during the year of grant, determined as follows:

1.

The grant to each Director shall consist of restricted shares of common stock of the Company having a Market Value equal to \$30,000. For the purposes of the Plan, *Market Value* shall mean the closing price of the Company's common stock on its principal trading market on the first trading day of the calendar year for which the grant is made.

2.

All shares granted to Directors under the Plan shall be fully vested on the date of grant.

3.

Should the Company determine that it is obligated to withhold payroll taxes from the Award, the undersigned Director will consent to the Company reducing the Award to the extent necessary to satisfy such obligation. Should the Company not withhold payroll taxes, each Director receiving a grant under the Plan shall be responsible for any and all federal, state or local taxes assessed as a result of such grant and shall indemnify, defend and hold harmless the Company for any liability therefore.

The first grant under the Plan was effective January 1, 2015, and consisted of 33,333 shares of restricted common stock issued to each Director of the five directors on that date, for a total of

166,665 shares. Two additional directors joined the Board during the year and received 17,442 shares each, for a total 34,884 shares. For the year, a total of 201,549 shares were issued under the Plan. The second grant date was effective January 1, 2016, and consisted of 45,455 shares of restricted common stock issued to each of the five Directors on that date, for a total of 227,275 shares issued to date under the Plan for 2016.

Director Independence

Our common stock is listed on the OTCQB inter-dealer quotation systems, which does not have director independence requirements. Nevertheless, for purposes of determining director independence, we have applied the definition set forth in NASDAQ Rule 4200(a)(15). Mr. Steven Bathgate, and Mr. Zvi Rhine would be considered independent under the NASDAQ rule.

Audit Committee

The Board as a whole serves as the audit committee.

For this purpose, an audit committee member is deemed to be independent if he does not possess any vested interests related to those of management and does not have any financial, family or other material personal ties to management.

The committee is responsible for accounting and internal control matters. The audit committee:

- reviews with management and the independent auditors policies and procedures with respect to internal controls;
- reviews significant accounting matters;
- approves any significant changes in accounting principles of financial reporting practices;
- reviews independent auditor services; and
- recommends to the board of directors the independent registered public accounting firm to audit our consolidated financial statements.

In addition to its regular activities, the committee is available to meet with the independent registered public accounting firm or controller whenever a special situation arises.

The Audit Committee of the Board of Directors will adopt a written charter, which, when adopted, will be filed with the Commission.

Compensation Advisory Committee

The composition of the compensation advisory committee has not been determined.

The compensation advisory committee did not meet during fiscal 2015. The compensation advisory committee will, when appointed:

- recommend to the board of directors the compensation and cash bonus opportunities based on the achievement of objectives set by the compensation advisory committee with respect to our chairman of the board and president, our chief executive officer and the other executive officers;
- administer our compensation plans for the same executives;
- determine equity compensation for all employees;
- review and approve the cash compensation and bonus objectives for the executive officers; and
- review various matters relating to employee compensation and benefits.

Nomination Process

The Board of Directors has not appointed a standing nomination committee and does not intend to do so during the upcoming year. The process of determining director nominees has been addressed by the board as a whole, which consists of five members. The board has not adopted a charter to govern the director nomination process.

The board of directors has not adopted a policy with regard to the consideration of any director candidates recommended by security holders, since to date the board has not received from any security holder a director nominee recommendation. The board of directors will consider candidates recommended by security holders in the future. Security holders wishing to recommend a director nominee for consideration should contact Mr. Lance Baller, Interim President, at the Company's principal executive offices located in Greenwood Village, Colorado and provide to Mr. Baller, in writing, the recommended director nominee's professional resume covering all activities during the past five years, the information required by Item 401 of Regulation S-K, and a statement of the reasons why the security holder is making the recommendation. Such recommendation must be received by the Company before December 31, 2016.

The board of directors believes that any director nominee must possess significant experience in business and/or financial matters as well as a particular interest in the Company's activities.

Shareholder Communications

Any shareholder of the Company wishing to communicate to the board of directors may do so by sending written communication to the board of directors to the attention of Mr. Lance Baller, Interim President, at the principal executive offices of the Company. The board of directors will consider any such written communication at its next regularly scheduled meeting.

Any transactions between the Company and its officers, directors, principal shareholders, or other affiliates have been and will be on terms no less favorable to the Company than could be obtained from unaffiliated third parties on an arms-length basis and will be approved by a majority of the Company's independent, outside disinterested directors.

Code of Ethics

Our Board of Directors adopted a Code of Business Conduct and Ethics for all of our directors, officers and employees during the fiscal year ended June 30, 2004. We will provide to any person without charge, upon request, a copy of our Code of Business Conduct and Ethics. Such request should be made in writing and addressed to Investor Relations, Global Healthcare REIT, Inc., at the Company's principal executive offices located in Greenwood Village, Colorado. Further, our Code of Business Conduct and Ethics was filed as an exhibit to our Annual Report on Form 10-KSB for the fiscal year ended June 30, 2004 and can be reviewed on the website maintained by the SEC at www.SEC.gov.

There are no material proceedings to which any director, officer or affiliate of the Company, any owner of record or beneficially of more than five percent (5%) of any class of voting securities of the Company, or any associate of any such director, officer, affiliate of the Company, or security holder is a party adverse to the Company or any of its subsidiaries or has a material interest adverse to the Company or any of its subsidiaries.

During the last ten (10) years no director or officer of the Company has:

(1) had any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(2) been convicted in a criminal proceeding or subject to a pending criminal proceeding;

(3) been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or

(4) been found by a court of competent jurisdiction in a civil action, the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Any transactions between the Company and its officers, directors, principal shareholders, or other affiliates have been and will be on terms no less favorable to the Company than could be obtained from unaffiliated third parties on an arms-length basis and will be approved by a majority of the Company's independent, outside disinterested directors.

Indemnification and Limitation on Liability of Directors

The Company's Articles of Incorporation provide that the Company shall indemnify, to the fullest extent permitted by Utah law, any director, officer, employee or agent of the corporation made or threatened to be made a party to a proceeding, by reason of the former or present official of the person, against judgments, penalties, fines, settlements and reasonable expenses incurred by the person in connection with the proceeding if certain standards are met. At present, there is no pending litigation or proceeding involving any director, officer, employee or agent of the Company where indemnification will be required or permitted. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and

controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

The Company's Articles of Incorporation limit the liability of its directors to the fullest extent permitted by the Utah Business Corporation Act. Specifically, directors of the Company will not be personally liable for monetary damages for breach of fiduciary duty as directors, except for (i) any breach of the duty of loyalty to the Company or its stockholders, (ii) acts or omissions not in good faith or that involved intentional misconduct or a knowing violation of law, (iii) dividends or other distributions of corporate assets that are in contravention of certain statutory or contractual restrictions, (iv) violations of certain laws, or (v) any transaction from which the director derives an improper personal benefit. Liability under federal securities law is not limited by the Articles. The officers of the Company will dedicate sufficient time to fulfill their fiduciary obligations to the Company's affairs. The Company has no retirement, pension or profit sharing plans for its officers and Directors.

Compliance with Section 16(a) of the Exchange Act

Under the securities laws of the United States, the Company's Directors, its Executive (and certain other) Officers, and any persons holding more than ten percent (10%) of the Company's common stock are required to report their ownership of the Company's common stock and any changes in that ownership to the Securities and Exchange Commission. Specific due dates for these reports have been established and the Company is required to report in this Report any failure to file by these dates. All of these filing requirements were satisfied by our Officers, Directors, and ten-percent holders except for Mr. Brogdon, former President, CEO and Director, failed to file six (6) reports covering six (6) transactions in a timely fashion; Mr. Scates, former Secretary and Executive Vice President, failed to file one (1) report covering one (1) transaction in a timely fashion; Mr. Sheehan, former Director, failed to file one (1) report covering one (1) transaction in a timely fashion; Mr. Scarborough, Chief Financial Officer, failed to file three (3) reports covering three (3) transactions in a timely fashion; Mr. Baller failed to file three (3) reports covering four (4) transactions in a timely fashion; Mr. Sink, Mr. Neuman and Mr. Rhine each failed to file one (1) report covering one (1) transaction in a timely fashion. In making these statements, the Company has relied on the written representation of its Directors and Officers or copies of the reports that they have filed with the Commission.

ITEM 11. EXECUTIVE COMPENSATION

Components of Compensation. For the year ended December 31, 2015, the CFO was paid a fixed hourly rate on all time devoted to his services to the Company. The CEO does not receive a base salary. We did not provide additional compensation in the form of annual incentive bonus, long term incentives, retirement benefits, or perquisites.

The following table and discussion set forth information with respect to all plan and non-plan compensation awarded to, earned by or paid to the Chief Executive Officer ("CEO"), and the Company's four (4) most highly compensated

executive officers other than the CEO, for all services rendered in all capacities to the Company and its subsidiaries for each of the Company's last three (3) completed fiscal years; provided, however, that no disclosure has been made for any executive officer, other than the CEO, whose total annual salary and bonus does not exceed \$100,000.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus	Stock Awards	Options Awards	Non equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Christopher	2015	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Brogdon	2014	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

Director Compensation

There were no cash fees or other compensation paid to outside directors of the Company during 2015.

Directors were reimbursed their expenses incurred in attending meetings. During 2015, the Company granted 251,549 restricted stock awards to directors in accordance with the Director Compensation Plan described above.

Company Stock Incentive Plans

In 1993, the Board of Directors and the Shareholders of the Company adopted the Global Casinos, Inc., Stock Incentive Plan (the "Incentive Plan"). An aggregate of 100,000 shares of the Company's Common Stock is reserved for issuance under the Incentive Plan. As of December 31, 2015, no options were outstanding under the Plan and all options to purchase shares of Common Stock have expired. The Plan has terminated in accordance with its terms, and as a result no shares are available for future option grants.

Equity Awards at Year End

There were no unexercised options, unvested stock awards or equity incentive plan awards for any named executive officer outstanding as of the end of the most recently completed fiscal year.

Stock Based Compensation

In March 2015, the Board of Directors appointed Ryan Scates to the office of Executive Vice President. In consideration of his services, Mr. Scates received \$10,000 per quarter, payable in arrears in restricted shares of common stock valued at the closing price of the common stock on the last day of each quarter. For the year ended December 31, 2015, Mr. Scates was issued 16,601 shares of common stock with a fair value of \$14,667.

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

The following table sets forth, as of April 13, 2016 the stock ownership of (i) each person known by the Company to be the beneficial owner of five (5%) percent or more of the Company's Common Stock, (ii) all Directors individually, (iii) all Officers individually, and (iv) all Directors and Officers as a group. Each person has sole voting and investment power with respect to the shares shown, except as noted. In presenting the information contained in this Item 12, the Company has relied upon publicly available reports of beneficial ownership filed by persons required to do so pursuant to Section 13 of the Exchange Act.

<u>Title Of Class</u>	<u>Name & Address of Beneficial Owner</u>	<u>Shares Beneficially Owned</u>	
		<u>Number</u>	<u>Percent</u> ⁽¹⁾⁽⁸⁾
Common Stock			
	Clifford L. Neuman (2) 6800 N. 79 th St., Ste. 200 Niwot, CO 80503	841,061	3.74%
	Lance Baller(3) 8480 E. Orchard Rd., Ste. 3600 Greenwood Village, CO 80111	1,336,328	5.94%
	Steven M. Bathgate (4) 5250 S. Roslyn # 400 Greenwood Village, CO 80111	1,517,680	6.74%
	Andrew Sink 3412 Sherwood Rd. Birmingham, AL 35233	144,896	0.64%
	Zvi Rhine(5) 401 E. Ontario St., #2301 Chicago, Ill. 60611	826,484	3.67%
	Sandra Lee Kuwica 880 Montclair Road, Ste. 250 Birmingham, AL 35213	0	0%
	Philip S. Scarborough ⁽⁶⁾ 3050 Peachtree Rd., Suite 355	181,936	0.81%

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Atlanta, GA 30305

Christopher Brogdon(7) 3050 Peachtree Rd., Ste. 355 Atlanta, GA 30305	1,125,551	5.00%
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Doucet Capital, LLC 2204 Lakeshore Dr., Ste. 304 Birmingham, AL 35209	3,235,783	14.38%
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All Directors and Officers as a Group

(7 persons)	4,848,385	21.55%
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- (1) Shares not outstanding but beneficially owned by virtue of the individuals' right to acquire them as of the date of this annual report or within sixty days of such date, are treated as outstanding when determining the percent of the class owned by such individual.
- (2) Includes 791,061 shares owned individually; and 50,000 shares owned of record Mindfulness Peace Project (formerly Ratna Foundation), of which Mr. Neuman is a Director, as to which Mr. Neuman disclaims beneficial ownership for purposes of Section 16 under the Securities Exchange Act of 1934, as amended (the Exchange Act).
- (3) Includes 334,397 shares owned individually, 266,156 shares owned by High Speed Aggregate, Inc. of which Mr. Baller is an owner and control person, but disclaims beneficial ownership for purposes of Section 16 under the Exchange Act, 629,275 shares owned by Ultimate Investments Corp., Inc. of which Mr. Baller is an owner and control person, but disclaims beneficial ownership for purposes of Section 16 under the Exchange Act. Also includes warrants exercisable to purchase 106,500 shares at \$0.75 per share owned of record by High Speed Aggregate, Inc., but disclaims beneficial ownership for purposes of Section 16 under the Exchange Act.
- (4) Includes 748,154 shares owned by Steven M. Bathgate IRA; 53,000 shares owned by Mr. Bathgate s spouse; and, 25,000 shares owned by Viva Co, LLC of which Mr. Bathgate s spouse is a 50% owner and as to which Mr. Bathgate disclaims beneficial ownership. Also includes warrants exercisable to purchase 90,000 shares at \$0.50 per share and warrants exercisable to purchase an additional 287,404 shares at \$0.75 per share. Also includes warrants exercisable to purchase 210,334 warrants at \$0.75 per share owned of record by GVC Partners, LLC, of which Mr. Bathgate is a Managing Member, but as to which Mr. Bathgate disclaims beneficial ownership for purposes of Section 16 under the Exchange Act.
- (5) Includes 555,000 shares owned by Sabra Investments, LP, of which Mr. Rhine is a control person.
- (6) Includes 35,300 shares owned by Phillip Scarborough IRA.
- (7) Includes 933,551 shares owned individually, 92,000 shares owned by Connie B. Brogdon IRA (spouse) and warrants exercisable to purchase an additional 100,000 shares at \$0.75 per share.
- (8) Based on 22,502,726 shares issued and outstanding on April __, 2016.

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

Throughout its history, the Company has experienced shortages in working capital and has relied, from time to time, upon loans from affiliates to meet immediate cash demands. There can be no assurance that these affiliates or other related parties will continue to provide funds to the Company in the future, as there is no legal obligation to provide such loans.

Equity Compensation

During 2015, Messrs. Sink, Bathgate, Sheehan, Neuman, and Brogdon were each granted \$30,000 of restricted stock awards with Messrs. Rhine and Baller each granted \$15,000 of restricted stock awards for services as officers and directors. In aggregate, 201,549 shares of restricted common stock were issued.

Related Party Transactions

Christopher Brogdon was a member of the Company's board of directors and also the Chief Executive Officer and President of the Company until his resignation on November 20, 2015.

Prior to June 30, 2013, the Company acquired an unsecured, interest free receivable due from Christopher Brogdon totaling \$500,000. On September 16, 2014, the receivable due from Mr. Brogdon was exchanged for a 62.5% membership interest in Edwards Redeemer Property Holding, LLC. As of December 31, 2015 and 2014, the Company had advances to Christopher Brogdon in the amount of \$0 and \$53,211. During 2015, the Company determined that advances in the amount of \$53,211 were no longer collectible and were recognized as a bad debt expense on the Consolidated Statements of Operations for the year ended December 31, 2015.

Christopher Brogdon was the managing member of GWH Investors, LLC, Redeemer Investors, LLC, Providence HR Investors, LLC, 1321 Investors, LLC, GLN Investors, LLC and Dodge Investors, LLC until his resignation on November 20, 2015. As described elsewhere in this Report and the Notes to Consolidated Financial Statements, the Company has or had notes payable to these entities.

For the years ended December 31, 2015 and 2014, the Company made advances to certain companies affiliated with Christopher Brogdon in the amount of \$80,000 and \$812,074, respectively. During 2015 and 2014, the Company determined that certain advances to these related parties were no longer collectible based on their ability to repay.

Accordingly, the Company recorded \$380,000 and \$440,219 as bad debt expense on the Consolidated Statements of Operations for the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014, the Company had advances to these related parties of \$0 and \$300,000, respectively.

Cliff Neuman is a manager and member of Gemini Gaming, LLC. As of December 31, 2015 and 2014, the Company had a note receivable with Gemini Gaming, LLC with an outstanding amount, net of discount, of \$573,428 and \$590,500, respectively. During the quarter ended

March 31, 2016, the Company collected an aggregate of \$573,428 in repayment of the note from Gemini Gaming, LLC which the Company accepted in full satisfaction of the total outstanding liability under the note. The transaction resulted in the Company recognizing a nominal bad debt expense in the amount of \$9,044 for the year ended December 31, 2015.

In connection with its private placement of common stock described elsewhere in this report, the Company engaged the services of GVC Capital, LLC, (GVC) a registered broker-dealer and FINRA member to serve as Placement Agent. GVC was paid a Placement Agent fee in the offering in the aggregate amount of \$415,627, a non-accountable expense allowance in the aggregate amount of \$134,392 and expense reimbursement in the aggregate amount of \$17,088. Steven Bathgate, a director, is the senior managing member of GVC and as a result had a financial interest in the payments made to GVC. In addition, GVC was issued warrants to purchase shares of common stock equal to 10% of the shares sold in the offering. Mr. Bathgate's share of those warrants are set forth in this Report in the section heading Security Ownership of Management and Principal Shareholders.

Conflicts of Interest

The Company has acquired the following interests in properties either directly from Mr. Brogdon or entities controlled or under the common control of Mr. Brogdon:

Property

Percentage

Consideration

Middle Georgia

65%

nominal

Warrenton

95%

nominal

Limestone

25%

nominal

Scottsburg

67.5%

nominal

Goodwill

59.7%

\$800,000

Edwards Redeemer

62.5%

\$491,488

Golden Years

44.5%

192,767 shares

Sparta

65%

61,930 shares

Greene Point

62.145%

73,253 shares

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table details the aggregate fees billed to the Company by Frazier & Deeter, LLC (FD), its previous independent registered public accounting firm, prior to their resignation in 2016:

	2015	2014
Audit Fees	\$46,750	\$ 125,552
Tax Fees	-0-	-0-
All Other Fees	-0-	-0-
Total	\$ 46,750	\$ 125,552

The following table details the aggregate fees billed to the Company by MaloneBailey, LLP, its current registered independent public accounting firm, since their appointment in 2016:

	2015	2014
Audit Fees	\$ 75,000	\$ -0-
Tax Fees	-0-	-0-
All Other Fees	-0-	-0-
Total	\$ 75,000	\$ 0

The caption "Audit Fees" includes professional services rendered for the audit of the annual consolidated financial statements and the review of the quarterly interim consolidated financial statements.

It is the policy of the Board of Directors, acting as the audit committee, to pre-approve all services to be performed by the independent registered public accounting firm.

PART IV**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

The following documents are filed as part of this Annual Report:

(a) Financial Statement Schedules

See the Index to Consolidated Financial Statements at page F-1 of this report.

The following financial statement schedule is included herein at page F-39 of this report:

Schedule III Real Estate Assets and Accumulated Depreciation

(b)	Exhibits Exhibit No.	Title
(1)	1.0	Articles of Amendment to the Articles of Incorporation dated June 22, 1994
(1)	3.1	Amended and Restated Articles of Incorporation
(35)	3.1	Amended and Restated Articles of Incorporation
(1)	3.2	Bylaws
(1)	3.3	Certificate of Designations, Preferences, and Rights of Series A Convertible Preferred Stock
(5)	3.4	Certificate of Designations, Preferences, and Rights of Series B Convertible Preferred Stock
(5)	3.5	Certificate of Designations, Preferences, and Rights of Series C Convertible Preferred Stock
(5)	3.6	Agreement Respecting Rights of Holders of Series C Convertible Preferred Stock
(17)	3.7	Certificate of Designations, Preferences, and Rights of Series E Convertible Preferred Stock
(18)	3.8	Form of Registration Rights Agreement
(1)	4.1	Specimen Certificate of Common Stock
(1)	4.2	Specimen Class A Common Stock Purchase Warrant
(1)	4.3	Specimen Class B Common Stock Purchase Warrant
(1)	4.4	Specimen Class C Common Stock Purchase Warrant
(1)	4.5	Warrant Agreement
(19)	4.6	Form of Series 2010 5% Convertible Debenture
(20)	4.7	Form of Common Stock and Warrant Purchase Agreement
(1)	5.0	Opinion of Neuman & Drennen, LLC regarding the legality of the securities being registered

- (1) 10.1 Selling Agent Agreement
- (1) 10.2 The Casino-Global Venture I Joint Venture Agreement
- (1) 10.3 Assignment of Casino-Global Joint Venture Agreement dated January 31, 1994

- (1) 10.4 Nonresidential Lease Agreement between Russian-Turkish Joint Venture Partnership with Hotel Lazurnaya and Global Casino Group, Inc. dated September 22, 1993
- (1) 10.5 Contract by and between Aztec-Talas-Four Star, Inc. and Global Casinos Group, Inc. dated April 12, 1993, and Addendum to Agreement by and between Aztec-Talas-Four Star, Inc., Global Casinos Group, Inc. and Restaurant "Naryn" dated June 29, 1993.
- (1) 10.6 Agreement and Plan of Reorganization among Silver State Casinos, Inc., Colorado Gaming Properties, Inc. and Morgro Chemical Company, dated September 8, 1993, incorporated by reference from the Company's Current Report on Form 8-K, dated September 20, 1993
- (1) 10.7 Agreement and Plan of Reorganization among Casinos USA., Lincoln Corporation, Woodbine Corporation and Morgro Chemical Company, dated October 15, 1993, incorporated by reference from the Company's Current Report on Form 8-K, dated November 19, 1993
- (1) 10.8 Stock Pooling and Voting Agreement, incorporated by reference from the Company's Current Report on Form 8-K, dated November 19, 1993
- (1) 10.9 Employment Agreement, dated September 28, 1993, between Morgro Chemical Company and Nathan Katz, incorporated by reference from the Company's Current Report on Form 8-K, dated November 19, 1993
- (1) 10.10 Employment Agreement, dated October 15, 1993, between Morgro Chemical Company and William P. Martindale, incorporated by reference from the Company's Current Report on Form 8-K, dated November 19, 1993
- (1) 10.11 Asset Acquisition Agreement by and among Global Casinos, Inc., Morgro, Inc. and MDO, L.L.C., dated as of February 18, 1994, incorporated by reference from the Company's Current Report on Form 8-K, dated February 18, 1994
- (1) 10.12 Stock Purchase Agreement, dated March 25, 1994, incorporated by reference from the Company's Current Report on Form 8-K, dated April 29, 1994
- (1) 10.13 Articles of Incorporation of BPJ Holding N.V., incorporated by reference from the Company's Current Report on Form 8-K, dated April 29, 1994
- (1) 10.14 Aruba Caribbean Resort and Casino Lease Agreement, dated January 18, 1993, incorporated by reference from the Company's Current Report on Form 8-K, dated April 29, 1994
- (1) 10.15 Aruba Gaming Permit issued to Dutch Hotel and Casino Development Corporation, incorporated by reference from the Company's Current Report on Form 8-K, dated April 29, 1994
- (1) 10.16 Letter Agreement between Astraea Investment Management, L.P. and Global Casinos, Inc. dated May 11, 1994

- (1) 10.17 Guaranty from Global Casinos, Inc. to Astraea Investment Management, L.P. dated May 19, 1994
- (1) 10.18 Secured Convertible Promissory Note in favor of Global Casinos, Inc. from Astraea Investment Management, L.P. dated May 19, 1994
- (1) 10.19 Registration Rights Agreement between Global Casinos, Inc. and Astraea Investment Management, L.P. dated May 11, 1994
- (1) 10.20 Employment Agreement, dated July 1, 1994, between Global Casinos, Inc. and Peter Bloomquist
- (2) 10.21 Letter of Agreement, dated September 16, 1994 between Astraea Management Services, L.P., Casinos USA., Inc. and Global Casinos, Inc.
- (3) 10.23 Letter of Agreement dated June 27, 1995, between Global Casinos, Inc., Global Casinos International, Inc., Global Casinos Group, Inc., Broho Holding, N.V., and Kenneth D. Brown individually.
- (1) 10.24 Second Amended Plan of Reorganization of Casinos USA, Inc., and Order Confirming Plan
- (1) 10.25 Warrant Agreement
- (4) 10.26 Stock Purchase and Sale Agreement between Alaska Bingo Supply, Inc., Global Alaska Industries, Inc. and Mark Griffin
- (5) 10.27 Convertible Promissory Note in the amount of \$450,000 dated March 31, 1998 in favor of Mark Griffin
- (4) 10.28 General Security Agreement from Global Alaska Industries, Inc. to Mark Griffin
- (4) 10.29 Stock Pledge Agreement from Global Alaska Industries, Inc. to Mark Griffin
- (5) 10.30 Agreement to Convert Debt dated March 31, 1998 with Mark Griffin
- (5) 10.31 Tollgate Casino Lease and Option Agreement
- (5) 10.32 Equipment Lease with Plato Foufas & Co., Inc.
- (5) 10.33 Employment Agreement of Eric Hartsough
- (6) 10.34 Stock Purchase Agreement dated December 30, 1999 between Arufinance, N.V. and Global Casinos, Inc.
- (7) 10.35 Term Sheet dated July 24, 2002 between Global Casinos, Inc., Astraea Investment Management L.P. and others.
- (7) 10.36 Agreement dated September 17, 2002 among Global Casinos, Inc., Casinos, USA., Inc. and Astraea Investment Management L.P.
- (7) 10.37 Agreement and Amendment to Promissory Note dated September 17, 2002 between Casinos USA., Inc. and Astraea Investment Management L.P. for promissory note in the original principal amount of \$249,418.48.
- (7) 10.38 Agreement and Amendment to Promissory Note dated September 17, 2002 between Casinos USA., Inc. and Astraea Investment Management L.P. for promissory note in the original principal amount of \$750,000.

(7)	10.39	Agreement and Amendment to Promissory Note dated September 17, 2002 between Casinos USA., Inc. and Astraea Investment Management L.P. for promissory note in the original principal amount of \$783,103.56.
(7)	10.40	Assumption Agreement dated September 17, 2002 among, Global Casinos, Inc., Casinos USA., Inc. and Astraea Investment Management L.P.
(7)	10.41	Bill of Sale, Assignment and Assumption dated October 30, 2002 between Global Casinos, Inc. and Casinos, USA., Inc.
(7)	10.42	Option Agreement dated September 17, 2002 by and between Astraea Investment Management L.P. and Global Casinos, Inc.
(7)	10.43	Security Agreement dated September 17, 2002 by Casinos USA., Inc. in favor of Astraea Investment Management L.P.
(7)	10.44	Service Agreement dated as of September 17, 2002 between Casinos USA., Inc. and Global Casinos, Inc.
(7)	10.45	Stock Pledge Agreement dated as of September 17, 2002 between Global Casinos, Inc. and Astraea Investment Management L.P.
(7)	10.46	Voting Agreement dated as of September 17, 2002 between Casinos USA., Inc. and Global Casinos, Inc.
(9)	10.47	Asset Purchase and Sale Agreement dated June 14, 2007.
(9)	10.48	Escrow Agreement dated June 20, 2007
(10)	10.49	Amendment No. 1 to Asset Purchase and Sale Agreement dated June 14, 2007
(8)	14.	Code of Ethics
(11)	10.50	Amendment No. 2 to Asset Purchase and Sale Agreement dated June 14, 2007.
(12)	10.51	Amendment No. 3 to Asset Purchase and Sale Agreement dated June 14, 2007.
(13)	10.52	Amendment No. 4 to Asset Purchase and Sale Agreement dated June 14, 2007.
(15))	10.53	Amendment No. 5 to Asset Purchase and Sale Agreement dated June 14, 2007.
(15)	10.54	Articles of Organization of Doc Holliday Casino II, LLC
(15)	10.55	Operating Agreement of Doc Holliday Casino II, LLC
(15)	10.56	Certificate of Series D for Global Casinos Inc
(15)	10.57	Consent to Assignment of Lease to Global Casinos
(15)	10.58	Consent to Assignment of Lease to Doc Holliday Casino II
(15)	10.59	Assignment & Assumption of Lease by Doc Holliday II
(15)	10.60	Promissory Note \$550,000
(15)	10.61	Promissory Note \$400,000
(15)	10.62	Promissory Note \$155,000
(15)	10.63	Bill of Sale
(15)	10.64	Noncompetition and Confidentiality Agreement
(15)	10.65	Consultation Agreement
(16)	10.66	Lease Agreement
(16)	10.67	Addendum to Lease Agreement

(16)	10.68	Addendum No. 2 to Lease Agreement
(16)	10.69	Loan Agreement with Astraea Investment Management
(16)	10.70	Assignment of Note
(16)	10.71	Assignment and Assumption Agreement
(16)	10.72	Second Amendment to Promissory Note
(21)	10.73	Astraea Loan Document Purchase and Assignment Agreement
(22)	10.74	Martindale Allonge and Loan Participation Agreement
(23)	10.75	Montrose Allonge and Modification Agreement
(24)	10.76	Bloomquist Allonge and Loan Participation Agreement
(25)	10.77	Shupp Allonge and Modification Agreement
(26)	10.78	Amendment to Lease Agreement dated December 28, 2010
(27)	10.79	Class A Stock Purchase Warrant
(27)	10.79	Series 2011 8% unsecured convertible note
(28)	10.80	Split-Off Agreement
(28)	10.81	Stock Purchase Agreement
(29)	10.82	Promissory Note
(29)	10.83	Stock Pledge Agreement
(30)	10.84	Amended and Restated Allonge and Loan Participation Agreement
(30)	10.85	Form of Warrant
(31)	10.86	Second Allonge and Modification Agreement
(31)	10.87	Modification to Second Deed of Trust
(32)	10.88	Amendment No. 2 to Loan Participation Agreement
(33)	10.89	Termination and Mutual Release
(33)	10.90	Amendment No. 1 to Split-Off Agreement
(33)	10.91	Stock Purchase Agreement
(34)	10.92	Amended and Restated Split-Off Agreement
(35)	10.93	Loan Purchase Agreement
(35)	10.94	Assignment of Deed of Trust
(35)	10.95	Assignment of Note
(35)	10.96	Assignment, Assumption and Indemnity Agreement
(35)	10.97	Security and Hypothecation Agreement
(35)	10.98	Intercompany Agreement
(35)	10.99	Promissory Note
(36)	10.100	Scottsburg Membership Purchase Agreement
(37)	10.101	Purchase Agreement dated October 8, 2008
(37)	10.102	Amendment No. 1 to Purchase Agreement dated October 8, 2008
(37)	10.103	Amendment No. 2 to Purchase Agreement dated October 8, 2008
(37)	10.104	Amendment No. 3 to Purchase Agreement dated October 8, 2008
(37)	10.105	Amendment No. 4 to Purchase Agreement dated October 8, 2008
(37)	10.106	Amendment No. 5 to Purchase Agreement dated October 8, 2008
(38)	10.107	Membership Interest Purchase Agreement - Goodwill
(39)	10.108	Purchase and Sale Agreement Meadowview
(40)	10.109	Purchase and Sale Agreements Longview, Mountainview, Corpus Christi and Grand Prairie
(41)	10.110	Amendments to Purchase and Sale Agreements Longview, Corpus Christi and Grand Prairie

(41)	10.111	Assignment of Purchase and Sale Agreements Longview, Mountainview, Corpus Christi and Grand Prairie
(42)	10.112	Letters Terminating Purchase Agreements - Longview, Mountainview, Corpus Christi and Grand Prairie
(43)	10.113	Stock Purchase Agreement between Tilford, Inc. and TNH Acquisition, LLC
(44)	10.114	First Amendment to Stock Purchase Agreement
*	21.0	Subsidiaries of the Company
*	31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*	31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*	32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*	32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**	101.INS	XBRL Instance
**	101.SCH	XBRL Taxonomy Extension Schema
**	101.CAL	XBRL Taxonomy Extension Calculation
**	101.DEF	XBRL Taxonomy Extension Definition
**	101.LAB	XBRL Taxonomy Extension Labels
**	101.PRE	XBRL Taxonomy Extension Presentation

- (1) Incorporated by reference to the Registrant's Registration Statement on Form SB-2, Registration No. 33-76204, on file with the Commission on August 11, 1994.
- (2) Incorporated by reference to the Registrant's Annual Report on Form 10-KSB for year ended June 30, 1994.
- (3) Incorporated by reference to the Registrant's Current Report on Form 8-K dated July 15, 1995.
- (4) Incorporated by reference to the Registrant's Current Report on Form 8-K dated August 1, 1997, as filed with the Commission on August 14, 1997.
- (5) Incorporated by reference to the Registrant's Annual Report on Form 10KSB for the year ended June 30, 1999.
- (6) Incorporated by reference to the Registrant's Current Report on Form 8-K dated December 30, 1999, as filed with the Commission on January 14, 2000.
- (7) Incorporated by reference to the Registrant's Annual Report on Form 10KSB for the year ended June 30, 2002.
- (8) Incorporated by reference to the Registrant's Annual Report on Form 10KSB for the year ended June 30, 2004.
- (9) Incorporated by reference to the Registrant's Current Report on Form 8-K dated June 14, 2007 as filed with the Commission on June 19, 2007
- (10) Incorporated by reference to the Registrant's Current Report on Form 8-K/A dated September 28, 2007 as filed with the Commission on October 2, 2007.
- (11) Incorporated by reference to the Registrant's Current Report on Form 8-K dated November 30, 2007 as filed with the Commission on December 3, 2007.

- (12) Incorporated by reference to the Registrant's Current Report on Form 8-K dated December 5, 2007 as filed with the Commission on December 6, 2007.
- (13) Incorporated by reference to the Registrant's Current Report on Form 8-K dated January 30, 2008 as filed with the Commission on February 4, 2008.
- (14) Incorporated by reference to the Registrant's Current Report on Form 8-K dated March 6, 2008 as filed with the Commission on March 6, 2008.
- (15) Incorporated by reference to the Registrant's Current Report on Form 8-K dated March 18, 2008 as filed with the Commission on March 24, 2008.
- (16) Incorporated by reference to the Registrant's Current Report on Form 8-K/A dated March 18, 2008 as filed with the Commission on May 29, 2008.
- (17) Incorporated by reference to the Registrant's Current Report on Form 8-K dated July 12, 2010 as filed with the Commission on July 14, 2010.
- (18) Incorporated by reference to the Registrant's Current Report on Form 8-K dated July 19, 2010 as filed with the Commission on July 20, 2010.
- (19) Incorporated by reference to the Registrant's Current Report on Form 8-K dated July 16, 2010 as filed with the Commission on July 20, 2010.
- (20) Incorporated by reference to the Registrant's Current Report on Form 8-K dated July 16, 2010 as filed with the Commission on July 20, 2010.
- (21) Incorporated by reference to the Registrant's Current Report on Form 8-K dated November 30, 2009 as filed with the Commission on December 3, 2009.
- (22) Incorporated by reference to the Registrant's Current Report on Form 8-K dated November 30, 2009 as filed with the Commission on December 3, 2009.
- (23) Incorporated by reference to the Registrant's Current Report on Form 8-K dated December 30, 2009 as filed with the Commission on December 31, 2009.
- (24) Incorporated by reference to the Registrant's Current Report on Form 8-K dated December 30, 2009 as filed with the Commission on January 5, 2010.
- (25) Incorporated by reference to the Registrant's Current Report on Form 8-K dated March 25, 2010 as filed with the Commission on March 25, 2010.
- (26) Incorporated by reference to the Registrant's Current Report on Form 8-K dated December 28, 2010 as filed with the Commission on December 29, 2010 as amended by Form 8-K/A filed with the Commission on February 10, 2011.
- (27) Incorporated by reference to the Registrant's Current Report on Form 8-K dated December 20, 2011 as filed with the Commission on December 20, 2011.
- (28) Incorporated by reference to the Registrant's Current Report on Form 8-K dated June 1, 2012 as filed with the Commission on June 6, 2012.
- (29) Incorporated by reference to the Registrant's Current Report on Form 8-K dated June 25, 2012 as filed with the Commission on June 28, 2012.
- (30) Incorporated by reference to the Registrant's Current Report on Form 8-K dated October 11, 2012 as filed with the Commission on October 16, 2012.
- (31) Incorporated by reference to the Registrant's Current Report on Form 8-K dated November 9, 2012 as filed with the Commission on November 13, 2012.
- (32) Incorporated by reference to the Registrant's Current Report on Form 8-K dated December 20, 2012 as filed with the Commission on December 20, 2012.
- (33) Incorporated by reference to the Registrant's Current Report on Form 8-K dated April 8, 2013 as filed with the Commission on April 12, 2013.
- (34) Incorporated by reference to the Registrant's Current Report on Form 8-K dated May 4, 2013 as filed with the Commission on May 6, 2013.
- (35)

Incorporated by reference to the Registrant's Current Report on Form 8-K dated September 30, 2013 as filed with the Commission on October 4, 2013.

- (36) Incorporated by reference to the Registrant's Current Report on Form 8-K dated January 27, 2014 as filed with the Commission on January 30, 2014.
- (37) Incorporated by reference to the Registrant's Current Report on Form 8-K dated March 10, 2014 as filed with the Commission on March 14, 2014.
- (38) Incorporated by reference to the Registrant's Current Report on Form 8-K dated May 23, 2014 as filed with the Commission on May 19, 2014.
- (38) Incorporated by reference to the Registrant's Current Report on Form 8-K/A dated May 23, 2014 as filed with the Commission on May 19, 2014.
- (39) Incorporated by reference to the Registrant's Current Report on Form 8-K dated September 26, 2014 as filed with the Commission on October 2, 2014.
- (40) Incorporated by reference to the Registrant's Current Report on Form 8-K dated December 16, 2014 as filed with the Commission on December 17, 2014.
- (41) Incorporated by reference to the Registrant's Current Report on Form 8-K dated January 22, 2015 as filed with the Commission on January 27, 2015
- (42) Incorporated by reference to the Registrant's Current Report on Form 8-K dated January 28, 2015 as filed with the Commission on February 4, 2015.
- (43) Incorporated by reference to the Registrant's Current Report on Form 8-K dated August 14, 2015 as filed with the Commission on August 20, 2015.
- (44) Incorporated by reference to the Registrant's Current Report on Form 8-K dated November 9, 2015 as filed with the Commission on November 12, 2015.

*

Filed herewith

**

furnished, not filed.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Balance Sheets of Global Healthcare REIT, Inc. as of December 31, 2015 and 2014	F-63
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors of

Global Healthcare REIT, Inc.

Greenwood Village, Colorado

We have audited the accompanying consolidated balance sheet of Global Healthcare REIT, Inc. and subsidiaries (collectively, the Company) as of December 31, 2015, and the related consolidated statements of operations, changes in equity, and cash flows for the year then ended. In connection with our audit of the consolidated financial statements, we have also audited the financial statement schedule III as listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Global Healthcare REIT, Inc. and subsidiaries as of December 31, 2015, and the results of their operations and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company had an accumulated deficit at December 31, 2015, a net loss and periodic cash flow difficulties for the year then ended. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 2. The consolidated financial statements do not include any adjustments that might

result from the outcome of this uncertainty.

/s/ MaloneBailey, LLP

Houston, Texas

April 14, 2016

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors of

Global Healthcare REIT, Inc.

We have audited the accompanying consolidated balance sheet of Global Healthcare REIT, Inc. and subsidiaries (the Company) as of December 31, 2014, and the related consolidated statements of operations, changes in equity, and cash flows for the year ended December 31, 2014. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Global Healthcare REIT, Inc. and subsidiaries as of December 31, 2014, and the results of their operations and their cash flows for the year ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

/s/ Frazier & Deeter, LLC

Atlanta, Georgia

April 15, 2015, except as to note 1 with respect to Prior Period Adjustment, as to which the date is April 14, 2016

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GLOBAL HEALTHCARE REIT, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2015	December 31, 2014
	ASSETS	
Property and Equipment, Net	\$39,741,706	\$ 40,259,357
Cash and Cash Equivalents	71,055	533,597
Advances to Related Parties	-	353,211
Restricted Cash	541,835	904,157
Notes Receivable - Related Parties, Net of Discount	573,428	1,186,822
Prepaid Expenses, Deferred Loan Costs and Other	848,719	1,490,634
Goodwill	-	1,750,454
Total Assets	\$41,776,743	\$ 46,478,232
	LIABILITIES AND EQUITY	
Liabilities		
Debt, Net	\$36,442,460	\$ 36,810,874
Accounts Payable and Accrued Liabilities	396,862	268,942
Dividends Payable	7,562	-
Warrant Liability	304,536	-
Lease Security Deposit	30,000	176,667
Total Liabilities	37,181,420	37,256,483
Commitments and Contingencies		
Equity		
Stockholders' Equity		
Preferred Stock:		
Series A - No Dividends, \$2.00 Stated Value, Non-Voting;		
2,000,000 Shares Authorized, 200,500 Shares Issued		
and Outstanding	401,000	401,000
Series D - 8% Cumulative, Convertible, \$1.00 Stated Value,		
Non-Voting; 1,000,000 Shares Authorized, 375,000 Shares		
Issued and Outstanding	375,000	375,000
Common Stock - \$0.05 Par Value; 50,000,000 Shares	1,112,323	1,082,003
Authorized, 22,246,453 and 21,640,051 Shares Issued and		

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Outstanding at December 31, 2015 and 2014, Respectively		
Additional Paid-In Capital	8,978,914	8,540,520
Retained Earnings (Accumulated Deficit)	(4,840,289)	212,573
Total Global Healthcare REIT, Inc.		
Stockholders' Equity	6,026,948	10,611,096
Noncontrolling Interests	(1,431,625)	(1,389,347)
Total Equity	4,595,323	9,221,749
Total Liabilities and Equity	\$41,776,743	\$ 46,478,232

See accompanying notes to these consolidated financial statements.

GLOBAL HEALTHCARE REIT, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	December 31, 2015	December 31, 2014
Revenue		
Rental Revenue	\$3,406,737	\$ 1,853,809
Expenses		
General and Administrative	1,284,148	809,356
Acquisition Costs	50,645	250,909
Bad Debt	550,651	440,219
Impairment of Goodwill	1,750,454	-
Loss on Sale of Property and Equipment	-	381,395
Depreciation	1,115,700	624,311
Total Expenses	4,751,598	2,506,190
Income (Loss) from Operations	(1,344,861)	(652,381)
Other (Income) Expense		
Bargain Purchase Gain	-	(3,000,000)
Gain on Warrant Liability	(638,172)	-
Interest Income	(82,132)	(91,373)
Interest Expense	2,809,272	968,613
Total Other (Income) Expense	2,088,968	(2,122,760)
Equity in Income (Loss) from Unconsolidated Partnership	53,688	(23,292)
Net (Loss) Income	(3,380,141)	1,447,087
Net (Income) Loss Attributable		
to Noncontrolling Interests	45,501	(89,940)
Net (Loss) Income Attributable to Global Healthcare REIT, Inc.	(3,334,640)	1,357,147
Series D Preferred Dividends	(30,000)	(42,904)
Net (Loss) Income Attributable to Common Stockholders	\$(3,364,640)	\$ 1,314,243
Per Share Data:		
Net (Loss) Income per Share Attributable		
to Common Stockholders:		
Basic	\$(0.15)	\$0.07
Diluted	\$(0.15)	\$0.06
Weighted Average Common Shares Outstanding:		
Basic	21,996,909	19,456,590
Diluted	21,996,909	22,002,036

See accompanying notes to these consolidated financial statements.

GLOBAL HEALTHCARE REIT, INC.**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)**

Series A Preferred Stock		Series D Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Global Healthcare REIT, Inc. Stockholders Equity	Non-controlling Interests
Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount				
100,500	\$ 401,000	375,000	\$ 375,000	21,640,051	\$ 1,082,003	\$ 8,540,520	\$ 212,573	\$ 10,611,096	\$ (1,389,300)
-	-	-	-	-	-	-	(1,247,443)	(1,247,443)	-
-	-	-	-	-	-	304,735	-	304,735	-
-	-	-	-	251,549	12,578	217,421	-	229,999	-
-	-	-	-	(50,000)	(2,500)	(47,500)	-	(50,000)	-
-	-	-	-	236,996	11,850	(81,043)	-	(69,193)	69,193
-	-	-	-	22,422	1,121	13,452	-	14,573	-
-	-	-	-	104,901	5,245	(5,245)	-	-	-
-	-	-	-	16,601	830	13,837	-	14,667	-

-	-	-	-	-	-	-	(30,000)	(30,000)	
-	-	-	-	-	-	-	(440,779)	(440,779)	
-	-	-	-	-	-	-	-	-	(42,000)
-	-	-	-	23,933	1,196	22,737	-	23,933	(23,933)
-	-	-	-	-	-	-	(3,334,640)	(3,334,640)	(45,500)
100,500	\$ 401,000	375,000	\$ 375,000	22,246,453	\$ 1,112,323	\$ 8,978,914	\$ (4,840,289)	\$ 6,026,948	\$ (1,431,600)

See accompanying notes to these consolidated financial statements.

GLOBAL HEALTHCARE REIT, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)

(CONTINUED)

Series A Preferred Stock	Series D Preferred Stock		Common Stock		Additional Paid-In Capital	Common Stock Subscribed but Not Issued	Retained Earnings (Accumulated Deficit)	Global Healthcare REIT, Inc. Stockholders Equity	Non-
	Amount	Number of Shares	Amount	Number of Shares					
\$ 401,000	700,000	\$ 700,000	14,556,115	\$ 727,807	\$ 3,768,764	\$ 106,500	\$ (687,057)	\$ 5,017,014	\$
-	-	-	4,421,540	221,077	2,790,639	(106,500)	-	2,905,216	
-	-	-	508,965	25,448	446,017	-	-	471,465	
-	-	-	204,575	10,229	143,204	-	-	153,433	
-	(325,000)	(325,000)	325,000	16,250	308,750	-	-	-	

-	-	-	-	-	-	-	-	-
-	-	-	636,070	31,803	547,355	-	-	579,158
-	-	-	879,270	43,963	397,949	-	-	441,912
-	-	-	-	-	56,065	-	-	56,065
-	-	-	23,993	1,200	(1,200)	-	-	-
-	-	-	44,668	2,233	45,115	-	-	47,348
-	-	-	-	-	-	-	(42,904)	(42,904)
-	-	-	-	-	-	-	(414,613)	(414,613)
-	-	-	-	-	-	-	-	-
-	-	-	39,855	1,993	37,862	-	-	39,855

-	-	-	-	-	-	-	-	-	-	(1)
-	-	-	-	-	-	-	-	1,357,147	1,357,147	
\$ 401,000	375,000	\$ 375,000	21,640,051	\$ 1,082,003	\$ 8,540,520	\$ -	\$ 212,573	\$ 10,611,096	\$ (1	

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See accompanying notes to these consolidated financial statements.

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GLOBAL HEALTHCARE REIT, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	December 31, 2015	December 31, 2014
Cash Flows from Operating Activities		
Net (Loss) Income	\$(3,380,141)	\$ 1,447,087
Adjustments to Reconcile Net (Loss) Income to Net Cash Used in Operating Activities:		
Depreciation	1,115,700	624,311
Amortization and Accretion	237,279	28,645
Change in Straight Line Rent Receivable	-	(102,037)
Bad Debt Expense	550,651	440,219
Bargain Purchase Gain	-	(3,000,000)
Impairment of Goodwill	1,750,454	
Loss on Sale of Property and Equipment	-	381,395
Stock Based Compensation	194,666	47,348
Equity in Loss from Unconsolidated Partnership	(53,688)	23,292
Gain on Warrant Liability	(638,172)	-
Changes in Operating Assets and Liabilities,		
Net of Assets and Liabilities Acquired:		
Accounts Payable and Accrued Liabilities	127,920	(473,572)
Lease Security Deposit	30,000	(28,000)
Other	34,476	(15,471)
Net Cash Used in Operating Activities	(30,855)	(626,783)
Cash Flows from Investing Activities		
Issuance of Notes Receivable	(150,000)	-
Issuance of Notes Receivable - Related Parties	-	(650,000)
Collections on Notes Receivable - Related Parties	574,719	31,724
Net Advances from/to Related Parties	(80,000)	(812,074)
Change In Restricted Cash	205,703	(205,710)
Collection of Deposits for Business Acquisition	500,000	(500,000)
Deposits for Business Acquisition	(100,000)	-
Acquisitions of Property and Equipment, Net of Cash Acquired	-	(5,709,776)
Capital Expenditures for Property and Equipment	(598,049)	(2,716,287)
Proceeds from Sale of Property and Equipment	-	3,414,000
Net Cash Provided by (Used in) Investing Activities	352,373	(7,148,123)

Cash Flows from Financing Activities

Proceeds from Debt	2,566,854	11,379,175
Payments on Debt	(2,937,880)	(5,764,703)
Change in Restricted Cash	156,619	(345,901)
Deferred Loan Costs Paid	(78,972)	(690,784)
Proceeds from Common Stock Offering	-	3,190,717
Offering Costs Paid	-	(285,501)
Exercise of Common Stock Warrants	14,573	441,912
Dividends Paid on Preferred Stock	(22,438)	(42,904)
Dividends Paid on Common Stock	(440,779)	(414,613)
Distributions to Noncontrolling Interests	(42,037)	(339,087)
Net Cash (Used in) Provided by Financing Activities	(784,060)	7,128,311
Net Decrease in Cash and Cash Equivalents	(462,542)	(646,595)
Cash and Cash Equivalents, Beginning of Year	533,597	1,180,192
Cash and Cash Equivalents, End of Year	\$71,055	\$ 533,597

Supplemental Disclosure of Cash Flow Information

Cash Paid for Interest, Net of Capitalized Interest of
\$105,867

and \$188,589, Respectively \$2,509,679 \$ 784,869

See accompanying notes to these consolidated financial statements.

GLOBAL HEALTHCARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Description of the Business

Global Healthcare REIT, Inc. (the Company or Global) was organized with the intent of operating as a real estate investment trust (REIT) for the purpose of investing in real estate and other assets related to the healthcare industry.

Prior to the Company changing its name to Global Healthcare REIT, Inc. on September 30, 2013, the Company was known as Global Casinos, Inc. Global Casinos, Inc. operated two gaming casinos which were split-off and sold on September 30, 2013. Simultaneous with the split-off and sale of the gaming operations, the Company acquired West Paces Ferry Healthcare REIT, Inc. (WPF) in a transaction accounted for as a reverse acquisition whereby WPF was deemed to be the accounting acquirer.

The Company intends to make a REIT election under sections 856 through 859 of the Internal Revenue Code of 1986, as amended. Such election will be made by the Board of Directors at such time as the Board determines that we qualify as a REIT under applicable provisions of the Internal Revenue Code.

The Company acquires, develops, leases, manages and disposes of healthcare real estate, and provides financing to healthcare providers. As of December 31, 2015, the Company owned nine healthcare properties which are leased to third-party operators under triple-net operating terms.

Basis of Presentation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and variable interest entities (VIEs) for which the Company has determined itself to be the primary beneficiary. Third party equity interests in subsidiaries and VIEs are recognized as noncontrolling interests in the consolidated financial statements. All significant inter-company balances and transactions have been eliminated in consolidation.

The Company is the primary beneficiary of a VIE if the Company has the power to direct the activities of the VIE that most significantly impact its economic performance and the obligation to absorb losses or receive benefits from the VIE that could be significant to the Company. If the interest in the entity is determined not to be a VIE, then the entity is evaluated for consolidation based on legal form, economic substance, and the extent to which the Company

has control and/or substantive participating rights under the respective ownership agreement.

There are judgments and estimates involved in determining if an entity in which the Company has an investment is a VIE. The entity is evaluated to determine if it is a VIE by, among other things, determining if the equity investors as a group have a controlling financial interest in the entity and if the entity has sufficient equity at risk to finance its activities without additional subordinated financial support.

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Use of Estimates and Assumptions

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates included herein relate to the recoverability of assets, the purchase price allocation for properties acquired, and the fair value of certain assets and liabilities. Actual results may differ from estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash consisted of the following as of December 31:

	2015	2014
Funds held in escrow related to construction projects	\$ 7	\$ 205,710
Funds held in escrow under the terms of notes or bonds payable for purposes of paying future debt service costs	541,828	698,447
	\$ 541,835	\$ 904,157

For the years ended December 31, 2015 and 2014, the change in restricted cash related to construction projects in the amounts of \$205,703 and \$(205,710) has been presented in cash flows from investing activities. The change in restricted cash related to debt service of \$156,619 and \$(345,901) for the years ended December 31, 2015 and 2014, respectively, has been presented in cash flows from financing activities.

Concentration of Credit Risk

The Company maintains deposits in financial institutions that at times exceed the insured amount of \$250,000 provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The excess amounts at December 31, 2015 and 2014 were \$291,845 and \$968,117, respectively. The Company believes the financial institutions it uses are credit worthy and stable. The Company does not believe that it is exposed to any significant credit risk in cash and cash equivalents or restricted cash.

Property and Equipment

In accordance with purchase accounting guidance established for entities under common control, the property and equipment acquired from entities under common control are stated at their carrying value on the date of acquisition. Property and equipment not acquired from entities under common control is recorded at its estimated fair value. Estimated fair value is determined with the assistance from independent valuation specialists using recent sales of similar assets, market conditions or projected cash flows of properties using standard industry valuation techniques.

Upon acquisition of real estate properties, the Company determines the total purchase price of each property and allocates this price based on the fair value of tangible assets and intangible assets, if any, acquired and any liabilities assumed. Information used to determine fair value includes comparable sales values, discount rates, capitalization rates, and lease-up assumptions from a third party appraisal or other market sources.

Acquisition-related costs such as due diligence, legal and accounting fees are expensed as incurred.

Any subsequent betterments and improvements are stated at historical cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Useful lives of the assets are summarized as follows:

Land Improvements	15 years
Buildings and Improvements	30 years
Furniture, Fixtures and Equipment	10 years

Impairment of Long Lived Assets

When circumstances indicate the carrying value of property and equipment may not be recoverable, the Company reviews the property for impairment. This review is based on an estimate of the future undiscounted cash flows, excluding interest charges, expected to result from the property's use and eventual disposition. This estimate considers factors such as expected future operating income, market and other applicable trends and residual value, as well as the effects of leasing demand, competition and other factors. If impairment exists, due to the inability to recover the carrying amount of the property, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property and equipment. During the year ended 2014, estimated fair value is determined with the assistance from independent valuation specialists using recent sales of similar assets, market conditions or projected cash flows of the property using standard industry valuation techniques.

Advances Due To and From Related Parties

The Company will periodically advance cash to and receive cash from various related parties as a part of the normal course of business. We will not make any advances to related parties that would violate the provisions of the Sarbanes-Oxley Act. The Company plans to monitor these non-interest bearing advances on a continual basis, evaluating the creditworthiness of the related party and its ability to repay the advance, generally using the strength and projected cash flows of the underlying related party operations as a basis for extending credit. The Company records allowances for collection against the advances or writes off the account directly, when factors are present that indicate the related party may not be able to repay the advance.

Notes Receivable

The Company evaluates its notes receivable for impairment when it is probable the payment of interest and principal will not be made in accordance with the contractual terms of the note agreements. Once a note has been determined to be impaired, it is measured to establish the amount of the impairment, if any, based on the fair value of the note using present value of expected future cash flows discounted at the note's effective interest rate. If the fair value of the impaired note receivable is less than the recorded investment in the note, a valuation allowance is recognized.

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Deferred Loan Costs

Deferred loan costs are amortized over the life of the related loan using the straight-line method, which approximates the effective interest method. For the years ended December 31, 2015 and 2014, deferred loan costs paid totaled \$78,972 and \$690,784, respectively. Amortization expense for the years ended December 31, 2015 and 2014 totaled \$241,358 and \$47,455, respectively. Accumulated amortization totaled \$273,714 and \$111,329 as of December 31, 2015 and 2014, respectively. Deferred loan cost amortization is included as a component of interest expense in the consolidated statements of operations.

Goodwill

Goodwill represents the excess of a Company's purchase price over the fair value of the identifiable assets acquired and liabilities assumed in a business combination. Goodwill resulting from acquisitions is not amortized, but is tested for impairment annually or whenever events change and circumstances indicate that it is more likely than not that an impairment loss has occurred. Management initially performs a qualitative analysis of goodwill using qualitative factors to determine if it is more likely than not that the fair value of the Company is less than its carrying amount including goodwill. Such qualitative factors include macroeconomic conditions, industry and market considerations, cost factors, overall financial performance and other relevant entity-specific events. If after assessing the totality of events or circumstances, the Company determines through the qualitative assessment that the fair value of a reporting unit more likely than not exceeds its carrying value, no further evaluation is necessary, and performing the two-step impairment test is not required. (See Note 8: *Goodwill*)

Warrant Liability

Warrants to purchase the Company's common stock with nonstandard antidilution provisions, regardless of the probability or likelihood that may conditionally obligate the issuer to ultimately transfer assets, are classified as liabilities and are recorded at their estimated fair value at each reporting period in accordance with ASC 815 Derivatives and Hedging. Any change in fair value of these warrants during the reporting period is recorded as a component of Other (Income) Expense on the Company's Consolidated Statements of Operations.

Revenue Recognition

The Company's leases may be subject to annual escalations of the minimum monthly rent required under each lease. The accompanying consolidated financial statements reflect rental income on a straight-line basis over the term of each lease. Cumulative adjustments associated with the straight-line rent requirement are reflected in Prepaid Expenses, Deferred Loan Costs, and Other in the consolidated balance sheets and totaled \$107,032 and \$136,037 as of December 31, 2015 and 2014, respectively. Adjustments to reflect rental income on a straight-line basis totaled \$0

and \$102,037 for years ended December 31, 2015 and 2014, respectively.

Rent receivables and unbilled deferred rent receivables are carried net of an allowance for uncollectible amounts. An allowance is maintained for estimated losses resulting from the inability of certain tenants to meet the contractual obligations under their lease agreements. The Company also maintains an allowance for deferred rent receivables arising from the straight line recognition of rents. Such allowances are charged to bad debt expense in the accompanying consolidated statements of operations. Our determination of the adequacy of these allowances is based primarily upon evaluations of the tenant's financial condition, security deposits, lease guarantees and current economic conditions and other relevant factors.

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When the lessee is the owner of any improvements, any lessee improvement allowance that is funded by the Company is treated as a lease incentive and amortized as a reduction of revenue over the lease term. As of December 31, 2015 and 2014, deferred lease incentives totaled \$0 and \$10,000, respectively. Amortization of deferred lease incentives totaled \$10,000 and \$4,000 for the years ended December 31, 2015 and 2014, respectively.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with Accounting Standards Codification (ASC) ASC 718, Compensation-Stock Compensation . ASC 718 requires companies to measure the cost of employee services received in exchange for an award of equity instruments, including stock options, based on the grant-date fair value of the award and to recognize it as compensation expense over the period the employee is required to provide service in exchange for the award, usually the vesting period.

The Company accounts for stock-based compensation in accordance with the provision of ASC 505, Equity Based Payments to Non-Employees (ASC 505), which requires that such equity instruments are recorded at their fair value on the measurement date. The Company estimates the fair value of stock-based payments using the Black-Scholes option-pricing model for common stock options and warrants and the closing price of the Company s common stock for common share issuances.

Fair Value Measurements

The Company utilizes the methods of fair value measurement as described in ASC 820 to value its financial assets and liabilities. As defined in ASC 820, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Income Taxes

The Company will elect to be taxed as a REIT at such a time as the Board of Directors, with the consultation of professional advisors, determines the Company qualifies as a REIT under applicable provisions of the Internal Revenue Code. The Company cannot predict for which tax year that election will be made. Therefore, applicable taxes have been recorded in the accompanying consolidated financial statements.

The Company uses the asset and liability method of accounting for income taxes. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the

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years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates resulting from new legislation is recognized in income in the period of enactment. A valuation allowance is established against deferred tax assets when management concludes that the more likely than not realization criteria has not been met. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained.

Income (Loss) Per Common Share

Basic income (loss) per share is computed by dividing the net income (loss) attributable to common stockholders for the period by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed based on the weighted average number of common shares and potentially dilutive common shares outstanding. The calculation of diluted net income (loss) per share excludes potential common shares if the effect would be anti-dilutive. Potential common shares consist of incremental common shares issuable upon the exercise of warrants and shares issuable upon the conversion of preferred stock.

The following table details the calculation of the weighted average number of common shares and dilutive common shares used in diluted income (loss) per share as of December 31:

	2015	2014
Weighted Average Number of Common Shares Used in Basic Income (Loss) Per Share	21,996,909	19,456,590
Effect of Dilutive Securities:		
Common Stock Warrants	-	2,188,303
Convertible Preferred Stock	-	357,143
Weighted Average Number of Common Shares and Dilutive Potential Common Shares Used in Diluted Income (Loss) Per Share	21,996,909	22,002,036
Anti-Dilutive Equity Awards Excluded from Effect Dilutive Securities	-	176,788

Comprehensive Income

For the periods presented, there were no differences between reported net income (loss) and comprehensive income (loss).

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Immaterial Correction

During the third quarter of 2015, the Company revised previously reported amounts due to an error related to an overstatement of debt and a corresponding understatement in noncontrolling interests as of December 31, 2014. In accordance with Financial Accounting Standards Board (FASB) ASC Topic 250, Accounting Changes and Error Corrections, the Company evaluated the materiality of the error from quantitative and qualitative perspectives, and concluded that the error was immaterial to the Company's prior period interim and annual consolidated financial statements. The correction of the immaterial error resulted in a decrease to Debt, Net of \$800,000 and a corresponding increase for the same amount to Noncontrolling Interests in the Company's Consolidated Balance Sheets as of December 31, 2014. This immaterial correction of an error had no impact on the Company's Consolidated Statements of Operations or Cash Flows in any period.

Prior Period Adjustment

The Company determined that certain warrants issued in 2014, 2013 and 2012 which contained antidilution provisions were not recorded correctly in the consolidated financial statements. This error resulted in an understatement of a warrant liability and an overstatement of stockholders' equity. The Company assessed the materiality of the warrant liability error on the consolidated financial statements for the year ended December 31, 2015 in accordance with SEC Staff Accounting Bulletin Nos. 99 and 108 (SAB 99 and SAB 108) and concluded that the impact of such adjustments would have been material to the consolidated financial statements had they been corrected in their entirety in 2015. The Company also concluded that, had the error been corrected within its consolidated financial statements for the year ended December 31, 2014, the impact of the adjustment would not have been material to that period. Therefore, the cumulative error as of January 1, 2015 has been recorded as a prior period adjustment in the amount of \$(1,247,443) to Retained Earnings (Accumulated Deficit), resulting in a net adjustment to Stockholders' Equity of \$(1,247,443).

The Consolidated Statement of Operations for the year ended December 31, 2014 has not been adjusted as the impact of the correction of the error on net income is not material to those consolidated financial statements. In considering whether the Company should amend its previously filed Form 10-K for prior years, the Company's evaluation of SAB 99 considered that the aggregate impact of the warrant liability adjustment was not material to the Company's net income (loss), had no impact on operating cash flows, and had an insignificant impact on the Consolidated Balance Sheets. In aggregate, the Company does not believe it is probable that the views of a reasonable investor would have been changed by the correction of this item in the 2014, 2013 or 2012 consolidated financial statements in an amended Form 10-K. Accordingly, the correction of the error was made to the Consolidated Statement of Stockholders' Equity as described above using the SAB 108 approach.

Recently Issued Accounting Pronouncements

During April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-08, Presentation of Financial Statements and Property, Plant and Equipment; Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU 2014-08 modifies the requirements for reporting discontinued operations. Under the amendments in ASU 2014-08, the definition of discontinued operation has been modified to only include those disposals of an entity that represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results. ASU 2014-08 was applied prospectively for periods beginning the quarter ended

March 31, 2014. The Company disposed of its Scottsburg Healthcare Center on March 10, 2014 and recognized a loss upon disposition as a component of income from continuing operations for the year ended December 31, 2014.

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In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. This ASU requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, which requires management to assess a company's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. Before this new standard, there was minimal guidance in U.S. GAAP specific to going concern. Under the new standard, disclosures are required when conditions give rise to substantial doubt about a company's ability to continue as a going concern within one year from the financial statement issuance date. The guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, with early adoption permitted. The Company has not yet determined the impact, if any, that the adoption of this guidance will have on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. The new standard requires that all costs incurred to issue debt be presented in the balance sheet as a direct deduction from the carrying value of the debt. The standard is effective for interim and annual periods beginning after December 31, 2015 and is required to be applied on a retrospective basis. Early adoption is permitted. We expect that the adoption of ASU 2015-03 will not have a material effect on the Company's financial position, results of operations or cash flows.

2. GOING CONCERN

The accompanying consolidated financial statements and notes have been prepared assuming the Company will continue as a going concern.

For the year ended December 31, 2015, the Company incurred a net loss of \$3,380,141, reported net cash used in operations of \$30,855 and has an accumulated deficit of \$4,840,289. These circumstances raise substantial doubt as to the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the Company's ability to generate sufficient revenues and cash flows to operate profitably and meet contractual obligations, or raise additional capital through debt financing or through sales of common stock.

The Company's net loss for the year ended December 31, 2015 was driven primarily by non-cash and in some cases non-recurring charges that management determined to recognize in the year, namely: Depreciation (\$1,115,700); Amortization (\$237,279); Bad Debt (\$550,651); Goodwill Impairment (\$1,750,454) and Stock Based Compensation (\$194,666), all of which represent an aggregate of \$3,848,750 in expenses. The Company does not expect to incur non-cash charges of a comparable magnitude in the future. In addition, the Company is addressing the repercussions of the cumulative rental deficiencies caused by one of its lease operators that operated four of our properties and filed for Chapter 11 Bankruptcy in January 2016 and plans to place two of its non-revenue generating properties in Tulsa Oklahoma on-line during 2016.

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The failure to achieve the necessary levels of profitability and cash flows or obtain additional funding would be detrimental to the Company. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

3.

ACQUISITIONS OF CONSOLIDATED PROPERTIES

The Company did not acquire any properties during the year ended December 31, 2015. Property acquisitions for the year ended December 31, 2014 are as follows:

Date Acquired	Property Name	Location	Purchase Price	Debt Assumed ⁽⁵⁾
January 27, 2014	Scottsburg Healthcare Center	Scottsburg, Indiana	\$ 112,500 (1)	\$ 3,480,000
February 7, 2014	Southern Hills Retirement Center	Tulsa, Oklahoma	2,000,000	-
May 19, 2014	Goodwill Nursing Home	Macon, Georgia	800,000	4,813,346
September 16, 2014	Edwards Redeemer Health & Rehabilitation	Oklahoma City, Oklahoma	491,487 (2)	2,254,581
September 16, 2014	Providence of Sparta Nursing Home	Sparta, Georgia	61,930 (3)	2,775,000
	Providence of Greene Pointe			
September 16, 2014	Healthcare Center	Union Point, Georgia	73,253 (4)	2,875,000
September 30, 2014	Meadowview Healthcare Center	Seville, Ohio	3,000,000	-

(1)

The purchase price for this property included the issuance of 150,000 shares of the Company's common stock valued at \$112,500.

(2)

The purchase price for this property was paid through forgiveness of an advance owed to the Company by Christopher Brogdon.

(3)

The purchase price for this property included the issuance of 61,930 shares of the Company's common stock valued at \$61,930.

(4)

The purchase price for this property included the issuance of 73,253 shares of the Company's common stock valued at \$73,253.

(5)

Does not include new financing in the form of unsecured subordinated debt.

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The allocation of the aggregate purchase prices to the fair value of assets acquired and liabilities assumed for the above acquisitions is as follows:

Assets Acquired:	
Cash	\$ 43,725
Restricted Cash	44,908
Property and Equipment	27,059,964
	27,148,597
Liabilities Assumed:	
Accounts Payable and Accrued Liabilities	(313,736)
Due to Related Parties	(31,199)
Lease Security Deposits	(144,667)
Debt	(16,197,927)
Noncontrolling Interests	(921,898)
	(17,609,427)
Net Assets Acquired	\$ 9,539,170

On March 10, 2014, Scottsburg Healthcare Center was sold for \$3.6 million under a purchase agreement dated October 9, 2008, as amended and assigned, which resulted in a loss upon disposition of property and equipment of \$381,395 for the year ended December 31, 2014. The Company also recognized a loss from operations for the year ended December 31, 2014 approximating \$35,000 related to Wood Moss. The Company has presented these results as a component of income from continuing operations.

Total revenues and net income for properties acquired during the year ended December 31, 2014, which are included in our consolidated statements of operations, are as follows:

	2015	<u>2014</u>
Revenues	\$ 2,604,103	\$ 921,210
Net Income (Loss)	(358,454)	\$ 2,828,388 (1)

(1)

The purchase price allocation related to the acquisition of Southern Hills Retirement Center resulted in a bargain purchase gain of \$3 million.

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The results of operations of acquired properties are included in the consolidated statements of operations beginning on their respective acquisition dates. The following unaudited condensed pro forma financial information presents the results of operations as if all acquisitions in 2014 had taken place on January 1, 2014. The unaudited condensed pro forma information excludes our Scottsburg Healthcare Center disposed on March 10, 2014. The unaudited condensed pro forma financial information was prepared for comparative purposes only and is not necessarily indicative of what would have occurred had the acquisition been made at that time or of results which may occur in the future.

For the Year Ended

December 31, 2014

(unaudited)

Revenues	\$ 3,759,679
Net Income	1,769,964
Net Income Attributable to	
Common Stockholders	1,587,098
Net Income Per Share Attributable to	
Common Stockholders - Basic	0.08
Net Income Per Share Attributable to	
Common Stockholders - Diluted	0.07

For the years ended December 31, 2015 and 2014, the Company paid deposits related to potential acquisitions of \$100,000 and \$500,000, respectively. During 2015, \$500,000 on deposit was refunded back to the Company. As of December 31, 2015 and 2014, deposits held by others related to acquisitions totaled \$100,000 and \$500,000, respectively.

4. INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES

Limestone, LLC

Effective March 5, 2014, the Company consummated a Membership Interest Purchase Agreement providing for the purchase from Connie Brogdon, spouse of Christopher Brogdon, President and Director of the Company, for nominal consideration (\$10), a 25% membership interest in Limestone Assisted Living, LLC (Limestone LLC). The remaining 75% membership interest in Limestone LLC was owned by Connie Brogdon (5%) and unaffiliated third parties (70%).

Limestone LLC owned 100% of the Limestone Assisted Living Facility, a 42-bed, 22,189 square foot assisted living facility located in Gainesville, Georgia. The Company extended a loan to Limestone LLC as described in Note 6. On March 25, 2015, the Limestone facility was sold and the note receivable due the Company was repaid in full, including accrued interest of \$54,845.

The Company recorded this investment using the equity method since the Company had the ability to exercise significant influence, but not control, over Limestone LLC. Under the equity method, the Company recorded the initial investment at cost and adjusted the carrying amount to reflect the Company's share of earnings and losses of Limestone LLC. For the years ended December 31, 2015 and 2014, the Company's share of income (losses) were \$53,688 and \$(23,292), respectively. As of December 31, 2015, the Company's carrying amount under the equity method was \$0.

5. PROPERTY AND EQUIPMENT

The gross carrying amount and accumulated depreciation of the Company's property and equipment as of December 31, 2015 and 2014 are as follows:

	2015	2014
Land	\$ 1,611,000	\$ 1,611,000
Land Improvements	200,000	200,000
Buildings and Improvements	35,610,444	35,610,445
Furniture, Fixtures and Equipment	1,051,473	1,037,436
Construction in Progress	3,300,300	2,716,287
	41,773,217	41,175,168
Less Accumulated Depreciation	(2,031,511)	(915,811)
	\$ 39,741,706	\$ 40,259,357
Capitalized Interest	\$ 105,867	\$ 188,589
Depreciation Expense	\$ 1,115,700	\$ 624,311
Cash Paid for Capital Expenditures	\$ 598,049	\$ 2,716,287

6. NOTE RECEIVABLE*Note Receivable - Healthcare Management of Oklahoma, LLC*

On July 15, 2014, the Company entered into a \$363,404 revolving line of credit with Healthcare Management of Oklahoma, LLC (HMO), the lease operator of the skilled nursing facility in Southern Hills, Tulsa, to be utilized for working capital needs related to the operation of the Southern Hills skilled nursing facility. The note matured on July 14, 2015 and earned interest at a fixed rate of 8%. The note was secured by accounts receivable and third-party personal guarantees.

On March 1, 2015, the Company entered into a revolving loan, replacing the note described above, in the amount of \$250,000 which earns interest at a fixed rate of 8%. All unpaid principal and interest was due to the Company on February 29, 2016. The note was secured by all tangible and intangible property of the borrower. On July 22, 2015, the revolving loan was amended to increase the principal amount to \$350,000.

During 2015, advances related to this note totaled \$350,000 of which \$150,000 was advanced as cash with the remaining \$200,000 advanced to fund a security deposit held by the Company and make lease payments to the Company. Notwithstanding the fact that HMO has affirmed its obligation under the note, as of December 31, 2015, the Company determined this note to be no longer collectible based on ability to repay. Accordingly, the Company recorded a bad debt expense of \$150,000 and reversed the security deposit and rent revenue transactions totaling \$200,000 within the consolidated financial statements for the year ended December 31, 2015.

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7. NOTES RECEIVABLE - RELATED PARTIES

Notes Receivable Related Parties consists of the following as of December 31, 2015 and 2014:

	2015	2014
Notes Receivable		
Gemini Gaming, LLC	\$ 573,428	\$ 590,500
Limestone Assisted Living, LLC	-	496,322
GL Investors, LLC	-	100,000
	\$ 573,428	\$ 1,186,822

Note Receivable Gemini Gaming, LLC

In connection with the split-off of gaming assets by Global, the Company accepted a note receivable in the amount of \$962,373 from Gemini Gaming, LLC. The note bears interest at 4.0% and is payable in quarterly installments of \$17,495 beginning on January 1, 2014 through maturity of the note on October 1, 2033. The note is secured by all rights, title, and interest in and to 100,000 shares of the membership interest in Gemini Gaming, LLC. In the event of default, the Company may not take possession of gaming assets or equipment or operate the casino unless duly licensed by the State of Colorado Division of Gaming.

On the acquisition date, the fair value of the note receivable was estimated by discounting the expected cash flows at a rate of 10.0%, a rate at which management believes a similar loan with similar terms and maturity would be made. As a result, the note receivable was discounted by \$362,225 to its fair value of \$600,148. The discount is accreted into earnings using the interest method over the term of the note. For the years ended December 31, 2015 and 2014, \$16,691 and \$22,076, respectively, has been accreted into earnings.

During the quarter ended March 31, 2016, the Company collected an aggregate of \$573,428 in repayment of the note from Gemini Gaming, LLC which the Company accepted in full satisfaction of the total outstanding liability under the note. The transaction resulted in the Company recognizing a nominal bad debt expense in the amount of \$9,044 for the year ended December 31, 2015.

Note Receivable Limestone Assisted Living, LLC

The Company extended a loan to Limestone Assisted Living, LLC in the principal amount of \$550,000 which is repayable, together with interest at the rate of 10% per annum, on or before the earlier of (i) August 31, 2014 or (ii) from the proceeds of the sale of the Limestone Assisted Living facility. The obligation of Limestone LLC to repay the loan is secured by the personal guarantee of Christopher Brogdon. Proceeds from the loan were used by Limestone LLC to repay and retire a loan in the principal amount of \$500,000, plus accrued and unpaid interest, owed to an unaffiliated third party.

The loan was not paid by Limestone LLC as of August 31, 2014 which constituted an event of default. The maturity date of the loan was extended by agreement to August 31, 2015.

On March 25, 2015, the Limestone facility was sold and the note receivable in the amount of \$550,000 due the Company was repaid in full, including accrued interest of \$54,845.

Note Receivable GL Investors, LLC

On February 4, 2014, the Company purchased the right to future distributions from a member of GL Investors, LLC in consideration of \$100,000. The distribution right does not have a stated maturity date and earns interest at a rate of 13% per annum and is unsecured. During 2015, the Company determined the loan was no longer collectible based on the ability to repay. Accordingly, the Company recorded \$100,000 as a bad debt expense on the Consolidated Statements of Operations for the year ended December 31, 2015.

As a result of the transactions above, the Company recognized cash flows from collections on notes receivable related parties of \$574,719 and \$31,724 during 2015 and 2014, respectively. Issuances of notes receivable related parties during 2015 and 2014 totaled \$0 and \$650,000, respectively.

8. GOODWILL

Goodwill represents the excess of purchase price over the fair value of net assets acquired. The Company evaluates goodwill on an annual basis in the fourth quarter and when management believes indicators of impairment exist. Due to the continued operating losses and cash flow deficiencies during 2015, the Company assessed qualitative factors and determined that it could not conclude it was more likely than not that the fair value of its goodwill exceeded its carrying value for the goodwill recorded. Accordingly, the Company proceeded to a quantitative evaluation of potential impairment of its goodwill. This evaluation was based on the income (or discounted cash flows) approach which concluded goodwill to be impaired in its entirety at December 31, 2015. The Company determined that no impairment write-downs were required as of December 31, 2014.

The following table details the changes in the carrying amount of goodwill for the years ended December 31:

	2015	2014
Beginning Balance	\$ 1,750,454	\$ 1,750,454
Impairment	(1,750,454)	-
Ending Balance	\$ -	\$ 1,750,454

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9. DEBT

The following is a summary of the Company's debt outstanding as of December 31, 2015 and 2014:

	2015	2014
Convertible Notes Payable	\$ 3,200,000	\$ 3,200,000
Fixed-Rate Mortgage Loans	14,461,421	13,660,830
Variable-Rate Mortgage Loans	8,050,043	8,216,660
Bonds Payable	5,700,000	5,700,000
Other Debt - Related Parties	5,105,000	6,110,000
	36,516,464	36,887,490
Less Unamortized Discount	74,004	76,616
	\$ 36,442,460	\$ 36,810,874

Convertible Notes Payable**6.5% Notes Due September, 2017**

On September 26, 2014, the Company completed a private offering of its 6.5% Senior Secured Convertible Promissory Notes in the amount of \$3,200,000. The Notes can be called for redemption at the option of the Company at any time (i) after September 15, 2015 but prior to September 15, 2016 at an early redemption price equal to 103% of the face amount of the Notes, plus accrued and unpaid interest, or (ii) any time after September 15, 2016 but prior to September 15, 2017 at an early redemption price equal to 102% of the face amount of the Notes, plus accrued and unpaid interest. Each Note is convertible at the option of the holder into shares of common stock of the Company at a conversion price of \$1.37 per share, which exceeded fair value of the common stock at the time of issuance. The Notes will automatically convert into common stock at the conversion price in the event (i) there exists a public market for the Company's common stock, (ii) the closing price of the common stock in the principal trading market has been \$2.00 per share or higher for the preceding ten (10) trading days, and (iii) either (A) there is an effective registration statement registering for resale under the Securities Act of 1933, as amended, the conversion shares or (B) the conversion shares are eligible to be resold by non-affiliates of the Company without restriction under Rule 144 of the Securities Act. At the time of issuance and based on the Company's common stock trading activity, the Company determined that no beneficial conversion feature was associated with the Notes. As of December 31, 2015, none of the Notes have been converted into common stock.

The Notes are secured by a senior mortgage on the Meadowview Healthcare Center located in Seville, Ohio.

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The Company paid a Placement Agent fee in the amount of \$96,000 resulting in net proceeds to the Company of \$3,104,000. In addition, the Company granted to the Placement Agent Warrants equal to 5% of the number of shares of common stock underlying the Notes sold in the Offering, exercisable for five years at an exercise price of \$1.37 per share of Common Stock. The estimated fair value of the warrants in the amount of \$56,065 and the Placement Agent fee of \$96,000 will be amortized to interest expense over the life of the Notes. The estimated fair value of the warrants was determined using the following assumptions:

Expected Volatility	75%
Contractual Term	5 Years
Risk Free Interest Rate	1.77%
Expected Dividend Rate	1.00%

Mortgage Loans

Mortgage loans are collateralized by all assets of each nursing home property and an assignment of its rents. Collateral for certain mortgage loans includes the personal guarantee of Christopher Brogdon. Mortgage loans for the periods presented consisted of the following:

Property	Face Amount	Principal Outstanding at December 31,		Stated Interest Rate	Maturity Date
		2015	2014		
Middle Georgia					
Nursing Home ⁽¹⁾	\$ 4,200,000	\$ 3,849,678	\$ 3,872,112	5.50% Fixed	October 4, 2018
Goodwill Nursing Home ⁽¹⁾	4,976,316	4,577,047	4,735,516	5.50% Fixed	July 10, 2016 ⁽²⁾
Warrenton Nursing Home	2,720,000	2,562,765	2,639,469	5.00% Fixed	December 20, 2018
Edwards Redeemer					Repaid on
Health & Rehab Edward Redeemer	1,501,500	-	1,361,728	4.25% Fixed	December 20, 2015
Health & Rehab Southern Hills	2,303,815	2,249,772	-	5.50% Fixed	January 16, 2020
Retirement Center Providence of Sparta	1,750,000	1,222,159	1,052,005	4.75% Fixed	November 10, 2017
Nursing Home Providence of Greene	1,725,000	1,686,506	1,717,330	Prime Plus 0.50%/6.00% Floor	September 17, 2016
	1,725,000	1,692,000	1,722,423	Prime Plus 0.50%/6.00% Floor	November 5, 2016

Point Healthcare
Center
Golden Years Manor

Nursing Home	5,000,000	4,671,537	4,776,907	Prime Plus 1.50%/ 5.75% Floor	August 3, 2037
		\$ 22,511,464	\$ 21,877,490		

(1)

Mortgage loans are non-recourse to the Company.

(2)

Effective January 14, 2016, the maturity date was extended from December 28, 2015 to July 10, 2016.

The mortgage loan collateralized by the Golden Years Manor Nursing Home is 80% guaranteed by the USDA and requires an annual renewal fee payable in the amount of 0.25% of the USDA guaranteed portion of the outstanding principal balance as of December 31 of each year. The Company is subject to financial covenants and customary affirmative and negative covenants. As of December 31, 2015, the Company was not in compliance with certain of these covenants which is considered to be an Event of Default as defined in the note agreement. Remedies available to the lender in the event of a continuing Event of Default, at its option, include, but are necessarily limited to the following (1) lender may declare the principal and all accrued interest on the note due and payable; and (2) lender may exercise additional rights and remedies under the note agreement to include taking possession of the collateral or seeking

satisfaction from the guarantors. The Company has not been notified by the lender regarding the exercise of any remedies available. Guarantors under the mortgage loan are Christopher Brogdon and GLN Investors, LLC, which the Company owns a 100% membership interest.

Other mortgage loans contain non-financial covenants, including reporting obligations, with which the Company has not complied in some instances in an untimely manner. These technical defaults are not deemed material, and the Company considers its relationships with its senior lenders to be very good.

Bonds Payable – Tulsa County Industrial Authority

On March 1, 2014, Southern Tulsa, LLC (Southern Tulsa), a subsidiary of WPF that owns the Southern Hills Retirement Center, entered into a loan agreement with the Tulsa County Industrial Authority (Authority) in the State of Oklahoma pursuant to which the Authority lent to Southern Tulsa the proceeds from the sale of the Authority's Series 2014 Bonds. The Series 2014 Bonds consist of \$5,075,000 in Series 2014A First Mortgage Revenue Bonds and \$625,000 in Series 2014B Taxable First Mortgage Revenue Bonds. The Series 2014 Bonds were issued pursuant to a March 1, 2014 Indenture of Trust between the Authority and the Bank of Oklahoma. \$4,325,000 of the Series 2014A Bonds mature on March 1, 2044 and accrue interest at a fixed rate of 7.75% per annum. The remaining \$750,000 of the Series 2014A Bonds mature on various dates through final maturity on March 1, 2029 and accrue interest at a fixed rate of 7.0% per annum. The Series 2014B Bonds mature on March 1, 2023 and accrue interest at a fixed rate of 8.5% per annum. The debt is secured by a first mortgage lien on the independent living units and assisted living facility (facilities), an assignment of the facilities' leases, a first lien on all personal property located in the facilities, and a guarantee by the Company. Deferred loan costs incurred of \$478,950 and an original issue discount of \$78,140 related to the loan are amortized to interest expense over the life of the loan. Amortization expense related to deferred loan costs totaled \$28,190 in 2015 and \$0 in 2014. Amortization expense related to the original issue discount totaled \$2,612 in 2015 and \$1,524 in 2014. The loan agreement includes certain financial covenants required to be maintained by the Company, which were in not in compliance as of December 31, 2015. As of December 31, 2015, restricted cash of \$541,835 is related to the bonds.

Other Debt Related Parties

Other debt due at December 31, 2015 and 2014 includes unsecured notes payable issued to entities controlled by the Company used to facilitate the acquisition of the nursing home properties.

Property	Face Amount	Principal Outstanding at December 31,		Stated Interest Rate	Maturity Date
		2015	2014		
Goodwill Nursing Home Edwards Redeemer	2,180,000	\$ 1,280,000	\$ 1,380,000	13.0 % ⁽¹⁾ Fixed	June 30, 2017 ⁽²⁾
Health & Rehab Providence of Sparta	880,000	-	880,000	12.0% Fixed	Repaid on January 20, 2015
Nursing Home Providence of Greene Point	1,050,000	1,050,000	1,050,000	10.0% Fixed	August 1, 2016 ⁽³⁾
Healthcare Center Golden Years Manor	1,150,000	1,125,000	1,150,000	10.0% Fixed	June 30, 2017 ⁽⁴⁾
Nursing Home	1,650,000	1,650,000	1,650,000	11.0% Fixed	April 1, 2016 ⁽⁵⁾
		\$ 5,105,000	\$ 6,110,000		

(1)The interest rate on this note increased from 12% to 13% per annum effective January 1, 2015.

(2)The subordinated note on Goodwill matured on July 1, 2015. Investors in the Goodwill note were entitled to an additional 5% equity in Goodwill Hunting, LLC every six months if the note is not paid when due. Effective December 31, 2015, all of the holders of the Goodwill subordinated note executed an Agreement Among Lenders pursuant to which they (i) waived all equity ratchets and (ii) extended the maturity date of their notes to June 30, 2017. In exchange, Goodwill Hunting LLC agreed to pay the investors a one-time premium equal to 5% of the principal amount of each individual note (approximately \$64,000) as such time as the note is repaid.

(3)The subordinated note on Sparta matured on August 1, 2015. Investors in the Sparta note are entitled to an additional 5% equity in Providence HR, LLC every six months if the note is not paid when due. The Company is negotiating with these investors to purchase their residual equity interests in exchange for shares of common stock. There can be no assurance that these negotiations will be successful.

(4)The subordinated note on Greene Point matured on October 1, 2015. Investors in the Greene Point note were entitled to an additional 5% equity in Wash/Greene, LLC, the entity that owns the facility, every six months if the note is not paid when due. Effective December 31, 2015, all of the holders of the Wash/Greene subordinated note executed an Agreement Among Lenders pursuant to which they (i) waived all equity ratchets and (ii) extended the maturity date

of their notes to June 30, 2017. In exchange, Wash/Greene LLC agreed to pay the investors a one-time premium equal to 5% of the principal amount of each individual note (approximately \$56,000) as such time as the note is repaid.

(5)Effective January 1, 2016, we entered into a new operating lease with a new operator for GL Nursing, LLC. Under the new lease, the base rent was reduced to a level that permits payment of the senior loan, but is insufficient to pay interest on the subordinated debt. The Company has been accruing the unpaid interest but is in default under the Note. A further event of default is the note's past maturity. Base rent under the new operating lease adjusts based upon the occupancy census; however there can be no prediction when those adjustments will occur.

For the years ended December 31, 2015 and 2014, the Company received proceeds from the issuance of debt of \$2,566,854 and \$11,379,175, respectively. Cash payments on debt totaled \$2,937,880 and \$5,764,703 for the years ended December 31, 2015 and 2014, respectively.

Future maturities of all of the notes and bonds payable listed above for the next five years and thereafter are as follows:

<u>Years</u>	
2016	\$ 11,137,183
2017	7,217,231
2018	6,304,487
2019	289,340
2020	2,085,426
2021 and after	9,482,797
	\$ 36,516,464

10. STOCKHOLDERS EQUITY

Preferred Stock

The Company has authorized 10,000,000 shares of preferred stock. These shares may be issued in series with such rights and preferences as may be determined by the Board of Directors.

Series A Convertible Redeemable Preferred Stock

The Company's Board of Directors has authorized 2,000,000 shares of \$2.00 stated value, Series A Preferred Stock. The preferred stock has a senior liquidation preference value of \$2.00 per share and does not bear dividends.

As of December 31, 2015 and 2014, the Company has 200,500 shares of Series A Preferred Stock outstanding.

Series D Convertible Preferred Stock

The Company has established a class of preferred stock designated Series D Convertible Preferred Stock (Series D preferred stock) and authorized an aggregate of 1,000,000 non-voting shares with a stated value of \$1.00 per share. Holders of the Series D preferred stock are entitled to receive dividends at the annual rate of 8% based on the stated value per share computed on the basis of a 360-day year and 12 30-day months. Dividends are cumulative, shall be

declared quarterly, and are calculated from the date of issue and payable on the 15th day of April, July, October and January. The dividends may be paid, at the option of the holder either in cash or by the issuance of shares of the Company's common stock valued at the market price on the dividend record date. Shares of the Series D preferred stock are redeemable at the Company's option. At the option of the holder, shares of the Series D preferred stock plus any declared and unpaid dividends are convertible to shares of the Company's common stock at a conversion rate of \$1.00 per share.

During April 2014, holders of 325,000 shares of Series D Preferred Stock converted their shares to the Company's common stock. As of December 31, 2015 and 2014, the Company had 375,000 shares of Series D Preferred Stock outstanding.

For year ended December 31, 2015, the Company declared \$30,000 in preferred dividends. \$7,562 were declared on December 31, 2015 and paid in 2016.

Common Stock

On March 14, 2014, the Company completed its private offering of common stock which commenced on December 4, 2013. The Company sold an aggregate of 4,776,115 shares of common stock at \$0.75 per share for gross proceeds of \$3,190,717 during 2014. Of the total subscriptions, \$153,432 in principal and accrued interest of notes were exchanged for shares, 150,000 shares were issued in consideration for a 100% membership interest in Scottsburg Investors, LLC, which initially owned a 32.5% membership interest in Wood Moss, and the balance was received in cash. After deducting \$285,501 for placement agent fees, non-accountable expense allowance, and expense reimbursements, the Company realized net cash proceeds of \$2,905,216 during 2014. In addition, the Company granted to the placement agent warrants equal to 10% of the number of shares sold in the offering, exercisable for five years at an exercise price of \$0.75 per share of common stock.

The Company issued 16,601 shares of common stock to an officer for compensation during 2015. The fair value of the common stock issued for compensation was measured at the volume weighted average price of the Company's common stock for the ten trading days prior to issuance. The fair value of the shares in the amount of \$14,667 was recognized as general and administrative expense in the consolidated statements of operations.

The Company issued 44,668 shares of common stock to an employee for compensation during 2014. The fair value of common stock issued for compensation is measured at the market price on the date of grant and the fair value of the shares was recognized as general and administrative expense in the consolidated statements of operations on the date of grant.

For the years ended December 31, 2015 and 2014, the Company paid dividends on common stock of \$440,779 and \$404,613, respectively.

Restricted Stock Awards

The following table summarizes the restricted stock unit activity during the year ended December 31, 2015.

Outstanding Non-Vested Restricted Stock Units, January 1, 2015	-
Granted	251,549
Vested	(201,549)
Cancelled / Forfeited	(50,000)
Outstanding Non-Vested Restricted Stock Units, December 31, 2015	-

In connection with these director restricted stock grants, the Company recognized stock-based compensation of \$179,999 for the year ended December 31, 2015. There was no restricted stock unit activity during the year ended December 31, 2014.

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Common Stock Warrants

As of December 31, 2015 and 2014, the Company had 2,921,736 and 3,541,731, respectively, of outstanding warrants to purchase common stock at a weighted average exercise price of \$0.76 and \$0.74, respectively. Activity for the years ended December 31, 2015 and 2014 related to common stock warrants follows:

	2015		2014	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Beginning Balance	3,541,731	\$ 0.74	3,798,306	\$ 0.68
Issued	-	-	846,980	0.80
Exercised Cashless	(22,242)	0.65	(876,337)	0.51
Exercise	(498,290)	0.75	(23,993)	0.50
Expired	(99,463)	0.50	(203,225)	0.72
Ending Balance	2,921,736	\$ 0.76	3,541,731	\$ 0.74

In 2015 the 22,242 warrants exercised included a cash component of \$14,573. For the cashless exercise of warrants, the Company issued 104,901 shares of common stock. The total intrinsic value of common stock warrants exercised during the year ended December 31, 2015 was \$5,829.

Noncontrolling Interests

For the years ended December 31, 2015 and 2014, 236,996 and 508,965, respectively, shares of the Company's common stock were issued to acquire noncontrolling interests.

For the years ended December 31, 2015 and 2014, the Company paid cash distributions to noncontrolling interests of \$42,037 and \$339,087, respectively.

In lieu of cash distributions, the Company distributed shares of the Company's common stock to noncontrolling interests during 2015 and 2014. For 2015, 23,933 shares were distributed at a value of \$1 per share. For 2014, 39,855 shares were distributed at a value of \$1 per share.

11. RELATED PARTIES

Christopher Brogdon was a member of the Company's board of directors and also the Chief Executive Officer and President of the Company through his resignation on November 20, 2015.

Prior to June 30, 2013, the Company acquired an unsecured, interest free receivable due from Christopher Brogdon totaling \$500,000. On September 16, 2014, the receivable due from Mr. Brogdon was exchanged for a 62.5% membership interest in Edwards Redeemer Property Holding, LLC. As of December 31, 2015 and 2014, the Company had advances to Christopher Brogdon in the amount of \$0 and \$53,211. During 2015, the Company determined that advances in the amount of \$53,211 were no longer collectible and were recognized as a bad debt expense on the Consolidated Statements of Operations for the year ended December 31, 2015.

For the years ended December 31, 2015 and 2014, the Company made advances to certain companies affiliated with Christopher Brogdon in the amount of \$80,000 and \$812,074, respectively. During 2015 and 2014, the Company determined that certain advances to companies affiliated with Christopher Brogdon were no longer collectible based on their ability to repay. Accordingly, the Company recorded \$380,000 and \$440,219 as a bad debt expense on the Consolidated Statements of Operations for the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014, the Company had advances to related parties of \$0 and \$300,000, respectively.

Christopher Brogdon was the managing member of GWH Investors, LLC, Redeemer Investors, LLC, Providence HR Investors, LLC, 1321 Investors, LLC, GLN Investors, LLC and Dodge Investors, LLC. As described in Note 7, the Company has or had notes payable to these entities. Effective November 20, 2015, Mr. Brogdon resigned all positions which he held with entities affiliated with the Company, and Clifford Neuman, a Director and Secretary, was substituted as managing member of those affiliates.

Clifford Neuman is a manager and member of Gemini Gaming, LLC. As described in Note 7, the Company had a note receivable from Gemini Gaming, LLC at December 31, 2015.

In connection with its private placement of common stock described elsewhere in this report, the Company engaged the services of GVC Capital, LLC, (GVC) a registered broker-dealer and FINRA member to serve as Placement Agent. GVC was paid a Placement Agent fee in the closing of the offering during 2014 in the amount of \$415,627, a non-accountable expense allowance in the aggregate amount of \$134,392 and expense reimbursement in the aggregate amount of \$17,088. Steven Bathgate, a director, is a managing member of GVC and as a result had a financial interest in the payments made to GVC. In addition, GVC was issued warrants to purchase shares of common stock equal to 10% of the shares sold in the offering.

12. FACILITY LEASES

The following table summarizes our leasing arrangements related to the Company's healthcare facilities:

Facility	Monthly Lease Income ⁽¹⁾	Lease Expiration	Renewal Option, if any
Middle Georgia ⁽⁶⁾	\$ 47,000	June 30, 2017	Term may be extended for one additional five-year term.
Warrenton	\$ 27,871	June 30, 2016	None ⁽⁵⁾
Goodwill ⁽⁶⁾⁽⁸⁾	\$ -	December 31, 2017	Term may be extended for one additional five-year term.
Edwards Redeemer ⁽⁶⁾	\$ 42,544	December 31, 2017	Term may be extended for one additional five-year term.
Providence	\$ 19,782	June 30, 2016	None ⁽⁵⁾
Greene Point	\$ 21,185	June 30, 2016	None ⁽⁵⁾

Meadowview	\$ 33,695	October 31, 2024	Term may be extended for one additional five-year term.
Golden Years ⁽⁶⁾ ⁽⁷⁾	\$ 62,800	May 31, 2017	Term may be extended for one additional five-year term.
Southern Hills SNF ⁽²⁾	\$ 37,000	May 31, 2019	Term may be extended for one additional five-year term.
Southern Hills ALF ⁽³⁾	\$ 22,000	March 31, 2019	None
Southern Hills ILF ⁽⁴⁾			

(1)

Monthly lease income reflects rent income on a straight-line basis over, where applicable, the term of each lease.

(2)

Lease agreement dated May 21, 2014 with lease payments commenced February 1, 2015.

(3)

Lease agreement dated March 19, 2014. Lease payments were to have commenced on April 1, 2015; however, the ALF facility is not yet open and rent payments have not been made.

(4)

The Southern Hills ILF requires renovation and is not subject to an operating lease.

(5)

The operating leases covering Warrenton, Providence and Greene Pointe expire in June 2016 without renewal options. On August 18, 2015, the Company entered into lease agreements with another independent nursing home operator which expire on June 30, 2026. Initial monthly rents begin at \$52,000 for Warrenton and \$40,000 for both Providence and Greene Pointe, all of which escalate over the lease term. The terms may be extended for one additional ten year term.

(6)

On January 22, 2016, a lease operator that operates Middle Georgia, Edwards Redeemer, Golden Years (until January 1, 2016) and Goodwill filed a voluntary petition in bankruptcy under Chapter 11 of the U.S. Bankruptcy Code. As of December 31, 2015, the Company was due rents of \$575,600 from the lease operator and held security deposits of \$176,667. The Company has not recognized rental revenues related to past due rent during 2015 and has impaired deferred rents receivable in the amount of \$177,044. Security deposits held were applied against bad debt expense recognized during 2015. As a result, the Company has recognized a net recovery of bad debt expense of \$141,604 which has been netted against bad debt expense on the Consolidated Statements of Operations for the year ended December 31, 2015. Under the Chapter 11 Bankruptcy, the lease operator can either assume or reject the leases at Middle Georgia, Edwards Redeemer and Goodwill. As of the date of this Report, the lease operator has not made any binding elections, but has verbally represented that he intends to assume the leases at Middle Georgia and Edwards Redeemer under existing lease terms and reject the lease covering Goodwill. If the lease operator assumes a lease, he is required to bring the leases current as a condition to such assumption.

(7)

Effective January 1, 2016, the Golden Years facility was leased to another operator for a period of ten years at a monthly base rent of \$30,000 which is subject to increases based on census levels.

(8)

In January 2016, concurrently with the Chapter 11 Bankruptcy filing by the lease operator, the Goodwill facility was closed by Georgia regulators and all residents were removed. The Goodwill facility is not generating any revenue as of the date of this Annual Report and is not expected to generate revenues until we are able to identify a lease operator and have the facility recertified by regulatory authorities.

Lessees are responsible for payment of insurance, taxes and other charges while under the lease. Should the lessees not pay all such charges, as required under the leases, the Company may become liable for such operating expenses. We have been required to cover those expenses at Goodwill since the facility was closed by regulators in January 2016.

Future cash payments for rent to be received during the initial terms of the leases for the next five years and thereafter are as follows (excludes Middle Georgia, Edwards Redeemer, Goodwill, Southern Tulsa ALF and Southern Tulsa ILF):

<u>Years</u>	
2016	\$ 2,368,026
2017	2,771,000
2018	2,810,840
2019	2,593,838
2020	2,440,644
2021 and Thereafter	13,330,398
	\$ 26,314,746

13. INCOME TAXES

The Company and its subsidiaries are subject to income taxes on income arising in, or derived from, the tax jurisdictions in which they operate. The Company is current with all its federal and state tax filings.

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The Company is open to examination for tax years 1998 through 2015 due to the carry back of net operating losses.

The following is a reconciliation of the federal statutory tax rate and the effective tax rate as a percentage for the years ended December 31:

	2015	2014
Statutory Federal Income Tax Rate	34 %	34 %
Warrant Liability	34	-
Effect of Valuation Allowance on		
Deferred Tax Assets	(34)	(34)
	- %	- %

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The components of deferred tax assets as of December 31 are as follows:

	2015	2014
Deferred Tax Assets:		
Net Operating Loss Carryforwards	\$ 3,615,115	\$ 2,852,373
Capital Loss Carryforward	99,137	99,137
Discount on Note Receivable	109,976	115,651
Goodwill Impairment	595,154	-
Acquisition Costs	126,669	140,840
	4,546,051	3,208,001
Deferred Tax Liabilities:		
Bargain Purchase Gain	(1,020,000)	(1,020,000)
Property and Equipment	(229,098)	(167,419)
	(1,249,098)	(1,187,419)
Valuation Allowance	(3,296,953)	(2,020,582)
Net Deferred Tax Asset	\$ -	\$ -

The valuation allowance at December 31, 2015 and 2014 was primarily related to federal net operating loss carryforwards that, in the judgment of management, are not more-likely-than-not to be realized. In assessing the

realizability of deferred tax assets, management considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax-planning strategies in making this assessment. In order to fully realize the deferred tax asset, the Company will need to generate future taxable income of approximately \$10,632,000 prior to the expiration of the net operating loss carryforwards beginning in 2018. Taxable loss for the year ended December 31, 2015 approximated \$2,535,000. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible,

management believes it is more-likely-than-not that the Company will not realize the benefits of these deductible differences, net of the existing valuation allowance at December 31, 2015.

When more than a 50% change in ownership occurs, over a three-year period, as defined, the Tax Reform Act of 1986 limits the utilization of net operating loss carry forwards in the years following the change in ownership. No determination has been made as of December 31, 2015, as to what implications, if any, there will be in the net operating loss carry forwards of the Company.

14. FAIR VALUE MEASUREMENTS

Our consolidated balance sheets include the following financial instruments: cash and cash equivalents, advances to related parties, notes receivable, restricted cash, accounts payable, debt and lease security deposit. We consider the carrying values of our short-term financial instruments to approximate fair value because they generally expose the Company to limited credit risk, because of the short period of time between origination of the financial assets and liabilities and their expected settlement, or because of their proximity to acquisition date fair values. The carrying value of debt approximates fair value based on borrowing rates currently available for debt of similar terms and maturities.

Upon acquisition of real estate properties, the Company determines the total purchase price of each property and allocates this price base on the fair value of the tangible assets and intangible assets, if any, acquired and any liabilities assumed based on Level 3 inputs. These Level 3 inputs can include comparable sales values, discount rates, and capitalization rates from a third party appraisal or other market sources.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2015 are summarized below:

	Total	Fair Value Measurement		
		Level 1	Level 2	Level 3
Warrant Liability	\$ 304,536	-	-	\$ 304,536

Because these warrant have full reset adjustments tied to future issuance of equity securities by the company, it is subject to derivative liability treatment under ASC 815-40-15.

The warrant liability is marked-to-market each reporting period with the change in fair value recorded as a gain or loss within Other (Income) Expense on the Company's Consolidated Statement of Operations until the warrants are exercised, expire, or other facts and circumstances lead the warrant liability to be reclassified as an equity instrument. The fair value of the warrant liability is determined each reporting period by utilizing the Black-Scholes option pricing model.

The table presented below is a summary of changes in the fair value of the Company's level 3 valuation for the warrant liability for the year ended December 31, 2015:

Beginning Balance, January 1, 2015	\$ 1,247,443
Change in Fair Value of Warrant Liability	(638,172)
Exercise of Warrants	(304,735)
Ending Balance, December 31, 2015	\$ 304,536

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The significant assumptions used in the Black-Scholes option pricing model as of December 31, 2015 include the following:

Volatility	95.3% - 152.8%
Risk-free Interest Rate	0.65% - 1.31%
Exercise Price	\$0.50 - \$1.37
Fair Value of Common Stock	\$0.68
Expected Life	1.1 - 3.7 years

15. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Supplemental cash flow information for the years ended December 31 follows:

	2015	2014
Acquisition of membership interests in exchange of common stock	\$ -	\$ 471,465
Notes payable and accrued interest converted to common stock	-	153,433
Conversion of Series D preferred stock to common stock	-	325,000
Common stock issued to an employee at fair value	-	45,115
Common stock warrants issued to placement agent	-	56,065
Cashless exercise of warrants to acquire common stock	5,245	23,993
Non-cash distribution of note receivable	-	1,380,000
Exchange of Common Stock for noncontrolling interests	69,163	579,158
Distribution of common stock to noncontrolling interests	23,933	39,855
Dividends declared on Series D preferred stock	7,562	-
Noncash net assets acquired upon acquisition of properties	-	10,255,615
Prior period adjustment	1,247,443	-
Warrant exercise	304,735	-

16. SUBSEQUENT EVENTS

Acquisition of Non-Controlling Interests

Effective January 1, 2016, we purchased an aggregate of 24.5% in membership interests in GL Nursing, LLC in consideration of 54,000 shares of common stock. As a result of this transaction, the Company owns 100% of the membership interests in GL Nursing, LLC.

Issuance of Restricted Stock

Effective January 14, 2016, the Company issued to each of its five directors a restricted stock award of 45,455 shares or, an aggregate of 227,275 shares of common stock valued at \$0.66 per share in consideration of services provided.

Bankruptcy of Significant Lease Operator

On January 22, 2016, a lease operator that operates Middle Georgia Nursing Home in Eastman, Georgia, Edwards Redeemer Nursing Center in Oklahoma City, OK, Goodwill Nursing Home in Macon, Georgia, and formerly operated Golden Years Manor in Lonoke, Arkansas filed a voluntary petition in bankruptcy under Chapter 11 of the U.S. Bankruptcy Code in the US District Court in Chattanooga, TN. As of December 31, 2015, the Company was due rents of \$575,600 from the lease operator and held security

deposits of \$176,667. The Company has recorded an allowance for uncollectible accounts of \$398,933 related to rents due from the lease operator as of December 31, 2015. Deferred rent receivables arising from the straight line recognition of rents related to these leases totaled \$177,044 as of December 31, 2015. The Company has recorded an allowance for uncollectible accounts of \$177,044 related to the deferred rent receivables as of December 31, 2015. Under the Chapter 11 Bankruptcy, the lease operator can either assume or reject the leases at Middle Georgia, Edwards Redeemer and Goodwill. As of the date of this Report, the lease operator has not made any binding elections, but has verbally represented that he intends to assume the leases at Middle Georgia and Edwards Redeemer and reject the lease covering Goodwill. If the lease operator assumes a lease, he is required to bring the leases current as a condition to such assumption. As of the date of this Annual Report, we are negotiating the terms of new amendments to the operating leases for Middle Georgia and Edwards Redeemer, but there can be no assurance if those amendments will be accepted.

Effective January 1, 2016, we re-leased the Golden Years Manor facility to an unaffiliated third party operator after a history of poor performance by the lease operator. The new lease has an initial rent of \$30,000 per month and increases based on census targets. The lease has a 10-year term.

Closure of Goodwill Nursing Home

The Goodwill Nursing Home located in Macon, Georgia was closed by State of Georgia regulators in January, 2016. All residents of the Goodwill facility have been moved, and the property is currently vacant. We do not expect the lease operator in bankruptcy to assume the current lease, and we are negotiating with new lease operators to recertify the facility and assume operations. There can be no assurance that those efforts will be successful.

Repayment of Gemini Gaming LLC Note

During the first quarter ended March 31, 2016, the Company collected an aggregate of \$573,428 in repayment of the note from Gemini Gaming, LLC which the Company accepted in full satisfaction of the total outstanding liability under the note. The transaction resulted in the Company recognizing a nominal bad debt expense in the amount of \$9,044.

GLOBAL HEALTHCARE REIT, INC.

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

AS OF DECEMBER 31, 2015

Property Description	Initial Cost				Cost Capitalized Subsequent to Acquisition		Total Amounts at End of Period			Accumulated Depreciation
	Encumbrances	Buildings and Improvements	Land	and	Buildings and Improvements	Land	Buildings and Improvements	Total		
Middle Georgia Nursing Home	\$ 3,845,000	\$ 1,083,100	\$ -		\$ -	\$ 50,000	\$ 4,830,100	\$ 4,880,100	\$ 680,167	
Warrenton Health and Rehabilitation Center	2,562,700	1,339,000	-		-	110,000	3,390,000	3,500,000	172,486	
Southern Hills Retirement Center	6,848,165	1,909,000	3,300,300		710,000	7,604,336	8,314,336	146,158		
Goodwill Nursing Home	5,857,847	1,046,651	-		180,000	6,146,651	6,326,651	386,700		
Edwards Redeemer Health & Rehab	2,242,000	2,084,148	-		200,000	2,844,148	3,044,148	100,634		
Providence of Sparta Nursing Home	2,736,500	2,095,473	-		190,000	2,695,473	2,885,473	102,915		
Providence of Green Point Healthcare Center	2,813,000	1,970,469	-		33,500	2,970,469	3,003,969	158,596		
Meadowview Healthcare Center	3,200,000	1,922,500	-		77,500	2,922,500	3,000,000	99,800		
Golden Years Manor Nursing Home	6,326,000	1,758,540	-		60,000	6,758,540	6,818,540	184,055		
Total	\$ 36,442,600	\$ 16,881,781	\$ 3,300,300		\$ 1,611,000	\$ 40,162,217	\$ 41,773,217	\$ 2,031,511		

(1) Buildings and Improvements includes Land Improvements, Buildings and Improvements and Furniture, Fixtures, and Equipment which are depreciated over 15, 30, and 10 years, respectively.

(2) Reconciliation of Real Estate and Accumulated Depreciation:

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	Cost	Accumulated Depreciation
Balance at December 31, 2013	\$ 8,380,100	\$ 291,500
Additions	36,590,463 -	
Sale of Property	(3,795,395) -	
Depreciation Expense	-	624,311
Balance at December 31, 2014	41,175,168	915,811
Additions	598,049	-
Depreciation Expense	-	1,115,700
Balance at December 31, 2015	\$ 41,773,217	\$ 2,031,511

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SIGNATURES

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

GLOBAL HEALTHCARE REIT, INC.

Date: April 14, 2016

By: /s/ Lance Baller

Lance Baller

Interim CEO

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

SIGNATURE	TITLE	DATE
<u>/s/ Lance Baller</u>		
Lance Baller	Interim CEO, Director (Principal Executive Officer)	April 14, 2016
<u>/s/ Steven Bathgate</u>		
Steven Bathgate	Director	April 14, 2016
<u>/s/ Zvi Rhine</u>		
Zvi Rhine.	Director	April 14, 2016
<u>/s/ Clifford L. Neuman</u>		
Clifford L. Neuman	Director	April 14, 2016
<u>/s/ Andrew Sink</u>		
Andrew Sink	Interim COO, Director	April 14, 2016
<u>/s/ Philip Scarborough</u>		
Philip Scarborough	Chief Financial Officer (Principal Financial and Accounting Officer)	April 14, 2016