UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from___ to ___

Commission File Number: 000-55190

NORTHSTAR HEALTHCARE INCOME, INC.

(Exact Name of Registrant as Specified in its Charter)

Maryland	**27-3663988**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

590 Madison Avenue, 34th Floor, New York, NY 10022
(Address of Principal Executive Offices, Including Zip Code)

(212) 547-2600
(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	**None**	**None**

Securities registered pursuant to Section 12(g) of the Act : Common Stock, $0.01 par value per share

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. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐

Emerging growth company ☐

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

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

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

There is no established trading market for the registrant's common stock and therefore the aggregate market value of the registrant's common stock held by non-affiliates cannot be determined.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

The Company has one class of common stock, $0.01 par value per share, 190,837,789 shares outstanding as of March 18, 2021.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the definitive proxy statement related to the registrant's 2021 Annual Meeting of Stockholders to be filed hereafter are incorporated by reference into Part III (Items 10, 11, 12, 13 and 14) of this Annual Report on Form 10-K.

NORTHSTAR HEALTHCARE INCOME, INC.

FORM 10-K

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may," "will," "should," "potential," "intend," "expect," "seek," "anticipate," "estimate," "believe," "could," "project," "predict," "continue," "future" or other similar words or expressions. Forward-looking statements are not guarantees of performance and are based on certain assumptions, discuss future expectations, describe plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. Such statements include, but are not limited to, those relating to our ability to make distributions to our stockholders, our reliance on our advisor and our sponsor, the operating performance of our investments, our financing needs, the effects of our current strategies and investment activities and our ability to effectively deploy capital. Our ability to predict results or the actual effect of plans or strategies is inherently uncertain. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements and you should not unduly rely on these statements. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results in future periods to differ materially from those forward-looking statements.

All forward-looking statements included in this Annual Report on Form 10-K are based on information available to us on the date hereof and we are under no duty to update any of the forward-looking statements after the date of this report to conform these statements to actual results.

Factors that could have a material adverse effect on our operations and future prospects are set forth in our filings with the U.S. Securities and Exchange Commission, or the SEC, including in this Annual Report on Form 10-K under the heading "Risk Factor Summary" and Item 1A. "Risk Factors" below. The risk factors set forth in our filings with the SEC could cause our actual results to differ significantly from those contained in any forward-looking statement contained in this report.

RISK FACTOR SUMMARY

Investing in our securities involves a high degree of risk. Below is a summary of principal factors that make an investment in our securities speculative or risky. This summary does not address all of the risks that we face. Additional discussion of the risks summarized in this risk factor summary, as well as other risks that we face, can be found under the heading Item 1A. "Risk Factors" below.

Risks Related to Our Business

- The ongoing COVID-19 pandemic and measures intended to prevent its spread could have a material adverse effect on our business, results of operations, cash flows and financial condition.
- We do not control the operations of our healthcare properties and are therefore dependent on the operators and managers, as applicable, of these properties to successfully operate their businesses.
- We depend on two operators/managers, Watermark Retirement Communities, or Watermark, and Solstice, for a significant majority of our revenues and net operating income. Adverse developments in Watermark's or Solstice's business and affairs or financial condition could have a material adverse effect on us.
- Decreases in our operators' revenues or increases in our operators' expenses could negatively affect our financial results.
- If we must replace any of our operators or managers, we might be unable to reposition the properties on as favorable terms, or at all, and we could be subject to delays, limitations and expenses, which could have a material adverse effect on us.
- We are subject to risks associated with capital expenditures, and our failure to adequately manage such risks could have a material adverse effect on our business, financial condition and results of operations.
- Our joint venture partners could take actions that decrease the value of an investment to us and lower our overall return.
- We are directly exposed to operational risks at certain of our healthcare properties, which could adversely affect our revenue and operations.

Risks Related to Our Capital Structure

- Stockholders are not currently able to sell any of their shares of our common stock back to us pursuant to our share repurchase program, or the Share Repurchase Program, and if they do sell their shares on any limited market that may develop, they may not receive the price they paid upon subscription.
- No public trading market for our shares currently exists, and as a result, it will be difficult for stockholders to sell their shares and, if stockholders are able to sell their shares, stockholders will likely sell them at a substantial discount to the price paid for those shares.
- Our board of directors determined an estimated value per share of $3.89 for our common stock as of June 30, 2020. You should not rely on the estimated value per share as being an accurate measure of the current value of shares of our common stock or in making an investment decision.
- If we do not successfully implement a liquidity transaction, stockholders may have to hold their investments for an indefinite period.
- Our distribution policy is subject to change. We may not be able to make distributions in the future.
- We require capital in order to operate our business, and the failure to obtain such capital would have a material adverse effect on our business, financial condition and results of operations.
- We use significant leverage in connection with our investments, which increases the risk of loss associated with our investments and restricts our ability to engage in certain activities.

Risks Related to Our Advisor

- Our ability to achieve our investment objectives depends in substantial part upon the performance of our advisor.
- Our sponsor's strategic pivot to digital real estate and infrastructure may create business uncertainties, which could have an adverse impact on our business.
- Any adverse changes in our sponsor's financial health or the public perception of our sponsor could hinder our operating performance and the return on stockholders' investment.

- Our sponsor may determine not to provide assistance, personnel support or other resources to our advisor or us, which could impact our ability to achieve our investment objectives.
- If we terminate our advisory agreement with our advisor, we may be required to pay significant fees to an affiliate of our sponsor, which will reduce cash available for distribution to stockholders.
- If we internalize our management functions, stockholders' interests in us could be diluted and we could incur other significant costs associated with being self-managed.

Risks Related to Conflicts of Interest

- Our executive officers and our advisor's and its affiliates' key professionals face conflicts of interest caused by their compensation arrangements with us, which could result in actions that are not in the long-term best interests of our company.
- Our executive officers and our advisor's and its affiliates' key investment professionals who perform services for us face conflicts of interest related to their positions and interests in our advisor and its affiliates which could hinder our ability to implement our business strategy and to generate returns to stockholders.

Risks Related to Our Company and Corporate Structure

- We are subject to substantial litigation risks and may face significant liabilities and damage to our professional reputation as a result of litigation allegations and negative publicity.
- We are subject to substantial regulation, numerous contractual obligations and extensive internal policies and failure to comply with these matters could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Regulatory Matters and Our REIT Tax Status

- Our failure to continue to qualify as a real estate investment trust, or REIT, would subject us to federal income tax.
- Our healthcare properties may be impacted by future legislative, regulatory and competitive changes and the actions of governmental authorities.

PART I

Item 1. Business

References to "we," "us" or "our" refer to NorthStar Healthcare Income, Inc. and its subsidiaries, in all cases acting through its external advisor, unless context specifically requires otherwise.

Overview

We were formed to acquire, originate and asset manage a diversified portfolio of equity, debt and securities investments in healthcare real estate, directly or through joint ventures, with a focus on the mid-acuity seniors housing sector, which we define as assisted living, memory care, skilled nursing and independent living facilities and continuing care retirement communities. We also invest in other healthcare property types, including medical office buildings, hospitals, rehabilitation facilities and ancillary healthcare services businesses. Our investments are predominantly in the United States, but we also selectively make international investments.

We were formed in October 2010 as a Maryland corporation and commenced operations in February 2013. We elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code, commencing with the taxable year ended December 31, 2013. We conduct our operations so as to continue to qualify as a REIT for U.S. federal income tax purposes.

We are externally managed and have no employees. We are sponsored by Colony Capital, Inc. (NYSE: CLNY), or Colony Capital or our Sponsor, a leading global investment management firm. Colony Capital manages capital on behalf of its stockholders, as well as institutional and retail investors in private funds and non-traded and traded REITs, which we refer to collectively as the Managed Companies. As of December 31, 2020, our Sponsor had approximately $42.0 billion of assets under management, including Colony Capital's balance sheet investments and third-party managed investments. Our advisor, CNI NSHC Advisors, LLC, or our Advisor, is a subsidiary of Colony Capital and manages our day-to-day operations pursuant to an advisory agreement.

From inception through December 31, 2020, we raised total gross proceeds from the sale of shares of our common stock totaling $2.0 billion, including $232.6 million pursuant to our distribution reinvestment plan, or our DRP, collectively referred to as of our Offering.

Our Strategy

Our primary objective is to invest in our portfolio and manage liquidity in order to maximize shareholder value. Although our short-term strategy will be impacted by the effects of the COVID-19 pandemic, the key elements of our long-term strategy include:

- *Grow the Operating Income Generated by Our Portfolio.* Through active portfolio management, we will continue to review and implement operating strategies and initiatives in order to enhance the performance of our existing investment portfolio.
- *Pursue Strategic Capital Expenditures and Development Opportunities.* We will continue to invest capital into our operating portfolio in order to maintain market position as well as functional and operating standards. In addition, we will continue to execute on and identify strategic development opportunities for our existing investments that may involve replacing, converting or renovating facilities in our portfolio which, in turn, would allow us to provide an optimal mix of services and enhance the overall value of our assets.
- *Consider Selective Dispositions and Opportunities for Asset Repositioning*. We will consider dispositions of assets and portfolios where we believe the disposition will achieve a desired return and improve our liquidity position. Additionally, we will continue to assess the need for strategic repositioning or sale of assets, joint ventures, operators and markets to position our portfolio for optimal performance.
- *Financing Strategy.* We use asset-level financing as part of our investment strategy to leverage our investments while managing refinancing and interest rate risk. We typically finance our investments with medium to long-term, non-recourse mortgage loans, though our borrowing levels and terms vary depending upon the nature of the assets and the related financing. In addition, our Sponsor has made available a revolving line of credit to provide additional short-term liquidity as needed. Refer to "Liquidity and Capital Resources" in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information.

Our Investments

We have invested in independent living facilities, or ILFs, assisted living facilities, or ALFs, memory care facilities, or MCFs, and continuing care retirement communities, or CCRCs, which we collectively refer to as seniors housing facilities, skilled nursing facilities, or SNFs, medical office buildings, or MOBs, and hospitals.

Our primary investment segments are as follows:

- Direct Investments - Net Lease - Healthcare properties operated under net leases with an operator.
- Direct Investments - Operating - Healthcare properties operated pursuant to management agreements with healthcare managers.
- Unconsolidated Investments - Healthcare joint ventures, including properties operated under net leases with an operator or pursuant to management agreements with healthcare managers, in which we own a minority interest.
- Debt and Securities Investments - Mortgage loans or mezzanine loans to owners of healthcare real estate and commercial mortgage backed securities, or CMBS, backed primarily by loans secured by healthcare properties. As of December 31, 2020, we had one mezzanine loan.

For financial information regarding our reportable segments, refer to Note 13, “Segment Reporting” in our accompanying consolidated financial statements included in Part II, Item 8. “Financial Statements and Supplementary Data.”

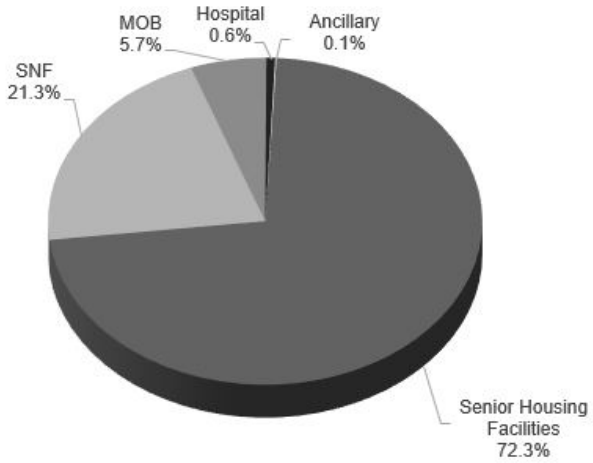
The following table presents a summary of investments as of December 31, 2020 (dollars in thousands):

Investment Type / Portfolio	Amount[3]	Properties[1][2] Seniors Housing	MOB	SNF	Hospitals	Total	Primary Locations	Ownership Interest
Direct Investments - Net Lease								
Watermark Fountains[4]	$ 288,836	6	—	—	—	6	Various	100.0 %
Arbors	126,825	4	—	—	—	4	Northeast	100.0 %
Smyrna (formerly Peregrine)	10,000	1	—	—	—	1	Southeast	100.0 %
Subtotal	$ 425,661	11	—	—	—	11		
Direct Investments - Operating								
Winterfell	$ 904,985	32	—	—	—	32	Various	100.0 %
Watermark Fountains[4]	356,914	9	—	—	—	9	Various	97.0 %
Rochester	219,518	10	—	—	—	10	Northeast	97.0 %
Watermark Aqua	116,216	5	—	—	—	5	West/Southwest/Midwest	97.0 %
Avamere	99,438	5	—	—	—	5	Northwest	100.0 %
Oak Cottage	19,427	1	—	—	—	1	West	100.0 %
Subtotal	$ 1,716,498	62	—	—	—	62		
Unconsolidated Investments								
Diversified US/UK (formerly Griffin-American)	$ 454,154	92	108	40	9	249	Various	14.3 %
Trilogy[5]	367,096	15	—	67	—	82	Various	23.2 %
Espresso	317,166	6	—	148	—	154	Various	36.7 %
Eclipse	37,291	42	—	9	—	51	Various	5.6 %
Solstice[6]	—	—	—	—	—	—	Various	20.0 %
Subtotal	$ 1,175,707	155	108	264	9	536		
Debt and Securities Investments								
Mezzanine Loan[7]	$ 74,182	—	—	—	—	—		
Total Investments	$ 3,392,048	228	108	264	9	609		

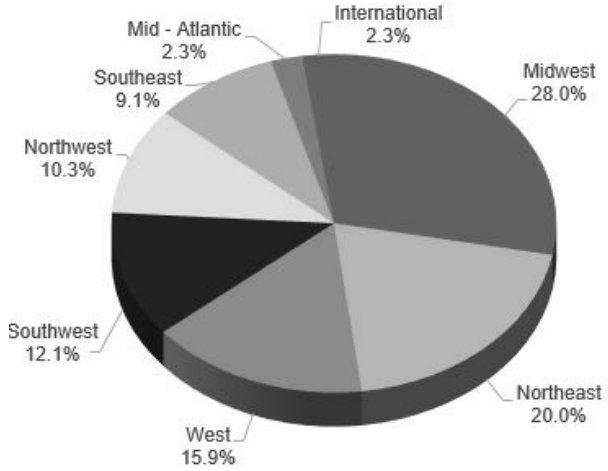
(1) Classification based on predominant services provided, but may include other services.
(2) Excludes properties held for sale.
(3) Based on cost for real estate equity investments, which includes purchase price allocations related to net intangibles, deferred costs, other assets, if any, and adjusted for subsequent capital expenditures. Does not include cost of properties held for sale. For real estate debt, based on principal amount. For real estate equity investments, includes cost associated with purchased land parcels that are not included in the count.
(4) Watermark Fountains portfolio consists of six wholly-owned net lease properties totaling $288.8 million and nine operating facilities totaling $356.9 million, in which we own a 97.0% interest. One of the operating facilities consists of eight condominium units in which we hold future interests, or the Remainder Interests.
(5) Includes institutional pharmacy, therapy businesses and lease purchase buy-out options in connection with the Trilogy investment, which are not subject to property count.
(6) Represents our investment in Solstice Senior Living, LLC, or Solstice, the manager of the Winterfell portfolio. Solstice is a joint venture between affiliates of Integral Senior Living, LLC, or ISL, a management company of ILF, ALF and MCF founded in 2000, which owns 80.0%, and us, who owns 20.0%.
(7) Our mezzanine loan was originated to a subsidiary of our joint venture with Formation Capital, LLC, or Formation, and Safanad Management Limited, which we refer to as Espresso.

The following presents our real estate equity portfolio diversity across property type and geographic location based on cost:

Real Estate Equity by Property Type[1]



Real Estate Equity by Geographic Location



(1) Classification based on predominant services provided, but may include other services.

Our investments include the following types of healthcare facilities as of December 31, 2020:

- *Seniors Housing.* We define seniors housing to include ILFs, ALFs, MCFs and CCRCs, as described in further detail below. Revenues generated by seniors housing facilities typically come from private pay sources, including private insurance, and to a much lesser extent government reimbursement programs, such as Medicare and Medicaid.
    - *Assisted living facilities.* ALFs provide services that include minimal assistance for activities in daily living and permit residents to maintain some of their privacy and independence as they do not require constant supervision and assistance. Services bundled within one regular monthly fee usually include three meals per day in a central dining room, daily housekeeping, laundry, medical reminders and 24-hour availability of assistance with the activities of daily living, such as eating, dressing and bathing. Professional nursing and healthcare services are usually available at the facility on call or at regularly scheduled times. ALFs typically are comprised of one and two bedroom suites equipped with private bathrooms and efficiency kitchens.
    - *Independent living facilities.* ILFs are age-restricted multi-family properties with central dining facilities that provide services that include security, housekeeping, nutrition and limited laundry services. ILFs are designed specifically for independent seniors who are able to live on their own, but desire the security and conveniences of community living. ILFs typically offer several services covered under a regular monthly fee.
    - *Memory care facilities.* MCFs offer specialized options for seniors with Alzheimer's disease and other forms of dementia. Purpose built, free-standing MCFs offer an attractive alternative for private-pay residents affected by memory loss in comparison to other accommodations that typically have been provided within a secured unit of an ALF or SNF. These facilities offer dedicated care and specialized programming for various conditions relating to memory loss in a secured environment that is typically smaller in scale and more residential in nature than traditional ALFs. Residents require a higher level of care and more assistance with activities of daily living than in ALFs. Therefore, these facilities have staff available 24 hours a day to respond to the unique needs of their residents.
    - *Continuing care retirement community.* CCRCs provide, as a continuum of care, the services described for ILFs, ALFs and SNFs in an integrated campus. CCRCs can be structured to offer services covered under a regular monthly rental fee or under a one-time upfront entrance fee, which is partially refundable in certain circumstances. Residents under entrance fee agreements may also pay a monthly service fee, which entitles them to the use of certain amenities and services, however, the monthly fees are generally less than fees at a comparable rental community. The refundable portion of a resident's entrance fee is generally refundable within a certain period following contract termination or upon the resale of the unit, or in some agreements, upon the resale of a comparable unit or after the resident vacates the unit. Some entrance fee agreements entitle the resident to a refund of the original entrance fee paid plus a percentage of the appreciation of the unit upon resale.

- *Skilled Nursing Facilities.* SNFs provide services that include daily nursing, therapeutic rehabilitation, social services, housekeeping, nutrition and administrative services for individuals requiring certain assistance for activities in daily living. A typical SNF includes mostly one and two bed units, each equipped with a private or shared bathroom and community dining facilities. Revenues generated from SNFs typically come from government reimbursement programs, including Medicare and Medicaid, as well as private pay sources, including private insurance.
- *Medical Office Buildings.* MOBs are typically either single-tenant properties associated with a specialty group or multi-tenant properties leased to several unrelated medical practices. Tenants include physicians, dentists, psychologists, therapists and other healthcare providers, who require space devoted to patient examination and treatment, diagnostic imaging, outpatient surgery and other outpatient services. MOBs are similar to commercial office buildings, although they require greater plumbing, electrical and mechanical systems to accommodate physicians' requirements such as sinks in every room, brighter lights and specialized medical equipment.
- *Hospitals. S*ervices provided by operators and tenants in hospitals are paid for by private sources, third-party payers (e.g., insurance and Health Maintenance Organizations), or through the Medicare and Medicaid programs. Our hospital properties typically will include acute care, long-term acute care, specialty and rehabilitation hospitals and generally are leased to operators under triple-net lease structures.

Direct Investments - Operating

For our operating properties, we enter in management agreements that generally provide for the payment of a fee to a manager, typically 4-5% of gross revenues with the potential for certain incentive compensation, and have direct exposure to the revenues and operating expenses of a property. As a result, our operating properties allow us to participate in the risks and rewards of the operations of healthcare facilities. Revenue derived from ILFs within our direct operating investments is classified as rental income on our consolidated statements of operations. Revenue derived from ALFs, MCFs and CCRCs within our direct operating investments is classified as resident fee income on our consolidated statements of operations.

The weighted average resident occupancy of our operating properties was 77.4% for the year ended December 31, 2020.

Direct Investments - Net Lease

For our net lease properties, we enter into net leases that generally provide for fixed rental payments, subject to periodic increases based on certain percentages or the consumer price index, and obligate the operator to pay all property-related expenses, including maintenance, utilities, repairs, taxes, insurance and capital expenditures. Revenue derived from our net lease properties is classified as rental income on our consolidated statements of operations.

Our net lease properties are leased to three operators. The remaining lease term for each operator as of December 31, 2020 is as follows:

Operator	Properties Leased	Remaining Lease Term (Years)
Watermark Retirement Communities	6 [(1)]	1.2
Arcadia Management	4 [(2)]	8.8
Senior Lifestyle Corporation	1	[(3)]

(1) The lease for the properties operated by Watermark Retirement Communities ("Watermark") expires in March 2022. We may not be able to renew the lease with Watermark at the same rent, or at all, and it may also be difficult to find a replacement operator to operate these properties.
(2) Operator has failed to remit rent timely and comply with other contractual terms of its lease agreement, which resulted in a default under the operator's lease as of December 31, 2020.
(3) Operator is in default under its lease for failing to remit rental payments. As such, we consider there to be no additional term remaining on the lease. We continue to assess options for repositioning this property.

Operators and Managers

The following table presents the operators and managers of our direct investments (dollars in thousands):

Operator / Manager		Properties Under Management	Units Under Management[1]	Year Ended December 31, 2020	
				Property and Other Revenues[2]	% of Total Property and Other Revenues
Watermark Retirement Communities		30	5,265	$ 138,708	50.3 %
Solstice Senior Living	(3)	32	4,000	101,054	36.7 %
Avamere Health Services		5	453	17,367	6.3 %
Arcadia Management		4	572	10,615	3.9 %
Integral Senior Living	(4)	1	44	7,405	2.7 %
Senior Lifestyle Corporation	(5)	1	63	—	— %
Other	(6)	—	—	199	0.1 %
Total		73	10,397	$ 275,348	100.0 %

(1) Represents rooms for ALFs and ILFs and beds for MCFs and SNFs, based on predominant type.
(2) Includes rental income received from our net lease properties as well as rental income, ancillary service fees and other related revenue earned from ILF residents and resident fee income derived from our ALFs, MCFs and CCRCs, which includes resident room and care charges, ancillary fees and other resident service charges.
(3) Solstice is a joint venture of which affiliates of ISL own 80%.
(4) Property count and units exclude two ISL properties designated as held for sale as of December 31, 2020.
(5) Operator has failed to remit rental payments during the year ended December 31, 2020.
(6) Consists primarily of interest income earned on corporate-level cash accounts.

Watermark Retirement Communities and Solstice, together with their affiliates, manage substantially all of our operating properties. As a result, we are dependent upon their personnel, expertise, technical resources and information systems, proprietary information, good faith and judgment to manage our properties efficiently and effectively. Through our 20.0% ownership of Solstice, we are entitled to certain rights and minority protections. As Solstice is a joint venture formed exclusively to operate the Winterfell portfolio, Solstice has generated, and may continue to generate, operating losses if declines in occupancy and operating revenues at our Winterfell portfolio continue.

Unconsolidated Investments

The following table presents our unconsolidated investments (dollars in thousands):

Portfolio	Partner	Acquisition Date	Ownership	AUM[2]	Equity Investment[3]	Properties as of December 31, 2020[1]				
						Seniors Housing Facilities	MOB	SNF	Hospitals	Total
Eclipse	Colony Capital/ Formation Capital, LLC	May-2014	5.6 %	$ 37,291	$ 23,400	42	—	9	—	51
Diversified US/UK (formerly Griffin-American)	Colony Capital	Dec-2014	14.3 %	454,154	243,544	92	108	40	9	249
Espresso	Formation Capital, LLC/Safanad Management Limited	Jul-2015	36.7 %	317,166	55,146	6	—	148	—	154
Trilogy[4]	Griffin-American Healthcare REIT III & IV /Management Team of Trilogy Investors, LLC	Dec-2015	23.2 %	367,096	189,032	15	—	67	—	82
Subtotal				$ 1,175,707	$ 511,122	155	108	264	9	536
Solstice		Jul-2017	20.0 %	—	2	—	—	—	—	—
Total				$ 1,175,707	$ 511,124	155	108	264	9	536

(1) Excludes properties classified as held for sale.
(2) Represents assets under management based on cost, which includes purchase price allocations related to net intangibles, deferred costs, other assets, if any, and adjusted for subsequent capital expenditures. Does not include cost of properties held for sale.
(3) Represents initial and subsequent contributions to the underlying joint venture through December 31, 2020.
(4) In October 2018, we sold 20.0% of our ownership interest in the Trilogy joint venture, which reduced our ownership interest in the joint venture from approximately 29% to 23%.

- *Eclipse.* Portfolio of SNFs and ALFs leased to, or managed by, a variety of different operators/managers across the United States. Our Sponsor and other minority partners and Formation own 86.4% and 8.0% of this portfolio, respectively.
- *Diversified US/UK (formerly Griffin-American).* Portfolio of SNFs, ALFs, MOBs and hospitals across the United States and care homes in the United Kingdom. Our Sponsor and other minority partners own the remaining 85.7% of this portfolio.
- *Espresso.* Portfolio of predominantly SNFs, located in various regions across the United States, and organized in six sub-portfolios and currently leased to nine different operators under net leases. An affiliate of Formation acts as the general partner and manager of this investment. Formation and Safanad Management Limited own the remaining 63.3% of this portfolio. We also have extended a mezzanine loan to this portfolio. Refer to "—Debt and Securities Investments Overview" below.
- *Trilogy*. Portfolio of predominantly SNFs located in the Midwest and operated pursuant to management agreements with Trilogy Health Services, as well as ancillary services businesses, including a therapy business and a pharmacy business. Griffin-American Healthcare REIT III, Inc., or GAHR3, Griffin-American Healthcare REIT IV, Inc., or GAHR4, and management of Trilogy own the remaining 76.8% of this portfolio.
- *Solstice.* Operator platform joint venture established to manage the operations of the Winterfell portfolio. An affiliate of ISL owns the remaining 80.0%.

Debt and Securities Investments Overview

Our investments in real estate debt secured by healthcare facilities consisted of one mezzanine loan. Our mezzanine loan relates to the Espresso portfolio, in which we also have an equity investment. Refer to "—Unconsolidated Investments" above. The following table presents a summary of our debt investment as of December 31, 2020 (dollars in thousands):

Investment Type:	Count	Principal Amount	Carrying Value[2]	Fixed Rate	Final Maturity Date
Espresso Mezzanine loan[1]	1	$ 74,182	$ 55,864	10.0 %	Jan 2022

(1) Property type underlying the mezzanine loan are predominately SNFs located primarily in the Midwest, Northeast and Southeast regions of the United States.

(2) As a result of impairments and other non-cash reserves recorded by the joint venture, the carrying value of our Espresso unconsolidated investment was reduced to zero in the fourth quarter of 2018. We have recorded the excess equity in losses related to our unconsolidated investment as a reduction to the carrying value of our mezzanine loan, which was originated to a subsidiary of the Espresso joint venture. As of December 31, 2020, the cumulative excess equity in losses included in our mezzanine loan carrying value was $18.3 million.

As of December 31, 2020, our debt investment was performing in accordance with the contractual terms of its governing documents. As of March 18, 2021, contractual debt service on the Espresso mezzanine loan has been paid in accordance with contractual terms.

Effective December 31, 2020, we executed an amended and restated loan agreement with the borrower of our debt investment. The terms set forth under the amended loan agreement include:

- a partial principal repayment totaling $5.0 million upon execution, which was received in January 2021, as well as the remittance of modification fees upon certain milestones;
- a fixed interest rate of 14.0%, effective February 2021, as well as the accrual of additional payment-in-kind, or PIK, interest based on outstanding principal balance thresholds;
- periodic principal repayments from the borrower's available cash flow; and
- an extension of the loan's maturity through January 2022.

Portfolio Management

Our Advisor and its affiliates maintain a comprehensive portfolio management process that generally includes oversight by asset management and capital markets teams, regular management meetings and operating results review process. These processes are designed to enable management to evaluate and proactively identify asset-specific issues and trends on a portfolio-wide, sub-portfolio or asset type basis. Nevertheless, we cannot be certain that our Advisor's review will identify all issues within our portfolio due to, among other things, adverse economic conditions or events adversely affecting specific assets; therefore, potential future losses may also stem from issues that are not identified during these portfolio reviews or the asset and portfolio management process.

Our Advisor's asset management and capital markets teams are experienced and use many methods to actively manage our asset base to enhance or preserve our income, value and capital and mitigate risk. Our Advisor's asset management and capital markets teams seek to identify strategic development opportunities for our existing and future investments that may involve replacing, converting or renovating facilities in our portfolio which, in turn, would allow us to provide optimal mix of services and enhance the overall value of our assets. To manage risk, our Advisor's asset management and capital markets teams engage in frequent review and dialogue with operators/managers/borrowers/third party advisors and periodic inspections of our owned properties and collateral. In addition, our Advisor's asset management and capital market teams consider the impact of regulatory changes on the performance of our portfolio.

We will continue to monitor the performance of, and actively manage, all of our investments. However, there can be no assurance that our investments will continue to perform in accordance with the contractual terms of the governing documents or underwriting and we may, in the future, record impairment, as appropriate, if required.

Competition

Our healthcare investments will experience local and regional market competition for residents, operators and staff. Competition will be based on quality of care, reputation, physical appearance of properties, services offered, family preference, physicians, staff and price. Competition will come from independent operators as well as companies managing multiple properties, some of which may be larger and have greater resources than our operators. Some of these properties are operated for profit while others are owned by governmental agencies or tax-exempt, non-profit organizations. Competitive disadvantages at our healthcare investments may result in vacancies at facilities, reductions in net operating income and ultimately a reduction in shareholder value.

Seasonality

Our revenues, and our operators' revenues, are dependent on occupancy. It is difficult to predict seasonal trends and the related potential impact of the cold and flu season, occurrence of epidemics or any other widespread illnesses on the occupancy of our facilities. A decrease in occupancy could affect the operating income of our operating properties as well as the ability of our net lease operators to make payments to us.

Sources of Operating Revenues and Cash Flows

We generate revenues from resident fees, rental income and net interest income. Resident fee income from our seniors housing operating facilities is recorded when services are rendered and includes resident room and care charges and other resident charges. Rental income is generated from our real estate for the leasing of space to various types of healthcare operators/tenants/ residents. Net interest income is generated from our debt investment. Additionally, we report our proportionate interest of revenues and expenses from unconsolidated joint ventures, which own healthcare real estate, through equity in earnings (losses) of unconsolidated ventures on our consolidated statements of operations.

Profitability and Performance Metrics

We calculate Funds from Operations, or FFO, and Modified Funds from Operations, or MFFO (see "Non-GAAP Financial Measures—Funds from Operations and Modified Funds from Operations" for a description of these metrics) to evaluate the profitability and performance of our business.

Inflation

Some of our assets and liabilities are interest rate sensitive in nature. As a result, interest rates and other factors may influence our performance. A change in interest rates may correlate with the inflation rate. Substantially all of the leases allow for annual rent increases based on the greater of certain percentages or increase in the relevant consumer price index. Such types of leases generally minimize the risks of inflation on our healthcare properties.

Refer to Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" for additional details.

Regulation

We are subject, in certain circumstances, to supervision and regulation by state and federal governmental authorities and are subject to various laws and judicial and administrative decisions imposing various requirements and restrictions, which, among other things:

- require compliance with applicable REIT rules;
- regulate healthcare operators with respect to licensure, certification for participation in government programs and relationships with patients, physicians, tenants and other referral sources;
- regulate occupational health and safety;
- regulate removal or remediation of hazardous or toxic substances;
- regulate land use and zoning;
- regulate removal of barriers to access by persons with disabilities and other public accommodations;
- regulate tax treatment and accounting standards; and
- regulate use of derivative instruments and our ability to hedge our risks related to fluctuations in interest rates and exchange rates.

Tax Regulation

We elected to be taxed as a REIT under the Internal Revenue Code, commencing with our taxable year ended December 31, 2013. If we maintain our qualification as a REIT for federal income tax purposes, we will generally not be subject to federal income tax on our taxable income that we distribute as dividends to our stockholders. If we fail to maintain our qualification as a REIT in any taxable year after electing REIT status, we will be subject to federal income tax on our taxable income at regular corporate income tax rates and will generally not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which our qualification is denied. Such an event could materially and adversely affect our net income. However, we believe that we are organized and operate in a manner that enables us to qualify for treatment as a REIT for federal income tax purposes and we intend to continue to operate so as to remain qualified as a REIT for federal income tax purposes. In addition, we operate certain healthcare properties through structures permitted under the REIT Investment Diversification and Empowerment Act of 2007, which permit the Company, through taxable REIT subsidiaries, or TRSs, to have direct exposure to resident fee income and incur related operating expenses.

The Protecting Americans from Tax Hikes Act of 2015

On December 18, 2015, President Obama signed into law the Consolidated Appropriations Act, 2016, an omnibus spending bill, with a provision referred to as the Protecting Americans from Tax Hikes Act of 2015, or the PATH Act. On June 7, 2016, the Internal Revenue Service, or the IRS, issued temporary Treasury Regulations under the PATH Act, finalized in part in Treasury Regulations issued on January 17, 2017. The PATH Act and the accompanying Treasury Regulations changed certain of the rules affecting REIT qualification and taxation of REITs and REIT stockholders described under the heading "U.S. Federal Income Tax Considerations" in our prospectus included in our Registration Statement on Form S-3 filed December 7, 2015. These changes are briefly summarized as follows:

- For taxable years beginning after 2017, the percentage of a REIT's total assets that may be represented by securities of one or more TRSs was reduced from 25% to 20%.
- For distributions in taxable years beginning after 2014, the preferential dividend rules no longer apply to us as a "publicly offered REIT," as defined in Internal Revenue Code Section 562(c)(2).
- For taxable years beginning after 2015, debt instruments issued by publicly offered REITs are treated as real estate assets for purposes of the 75% asset test, but interest on debt of a publicly offered REIT will not be qualifying income under the 75% gross income test unless the debt is secured by real property. Under a new asset test, not more than 25% of the value of a REIT's assets may consist of debt instruments that are issued by publicly offered REITs and would not otherwise be treated as qualifying real estate assets.
- For taxable years beginning after 2015, to the extent rent attributable to personal property is treated as rents from real property (because rent attributable to the personal property for the taxable year does not exceed 15% of the total rent for the taxable year for such real and personal property), the personal property will be treated as a real estate asset for

purposes of the 75% asset test. Similarly, a debt obligation secured by a mortgage on both real and personal property will be treated as a real estate asset for purposes of the 75% asset test, and interest thereon will be treated as interest on an obligation secured by real property, if the fair market value of the personal property does not exceed 15% of the fair market value of all property securing the debt.

- For taxable years beginning after 2015, a 100% excise tax will apply to "redetermined services income," i.e., non-arm's-length income of a REIT's TRS attributable to services provided to, or on behalf of, the REIT (other than services provided to REIT managers, which are potentially taxed as redetermined rents).
- For taxable years beginning after 2014, the period during which dispositions of properties with net built-in gains acquired from C corporations in carry-over basis transactions will trigger the built-in gains tax was reduced from ten years to five years.
- REITs are subject to a 100% tax on net income from "prohibited transactions," i.e., sales of dealer property (other than "foreclosure property"). These rules also contain a safe harbor under which certain sales of real estate assets will not be treated as prohibited transactions. One of the requirements for the pre-PATH Act safe harbor was that (I) the REIT did not make more than seven sales of property (subject to specified exceptions) during the taxable year at issue, or (II) the aggregate adjusted bases (as determined for purposes of computing earnings and profits) of property (other than excepted property) sold during the taxable year did not exceed 10% of the aggregate bases in the REIT's assets as of the beginning of the taxable year, or (III) the fair market value of property (other than excepted property) sold during the taxable year did not exceed 10% of the fair market value of the REIT's total assets as of the beginning of the taxable year. If a REIT relied on clause (II) or (III), substantially all of the marketing and certain development expenditures with respect to the properties sold must have been made through an independent contractor. For taxable years beginning after December 18, 2015, clauses (II) and (III) were liberalized to permit the REIT to sell properties with an aggregate adjusted basis (or fair market value) of up to 20% of the aggregate bases in (or fair market value of) the REIT's assets as long as the 10% standard is satisfied on average over the three-year period comprised of the taxable year at issue and the two immediately preceding taxable years. In addition, for taxable years beginning after 2015, for REITs that rely on clauses (II) or (III), a TRS may make the marketing and development expenditures that previously had to be made by independent contractors.
- A number of changes applicable to REITs were made to the Foreign Investment in Real Property Tax Act of 1980, or FIRPTA, rules for taxing non-U.S. persons on gains from sales of U.S. real property interests, or USRPIs:
  - For dispositions and distributions on or after December 18, 2015, the stock ownership thresholds for exemption from FIRPTA taxation on sale of stock of a publicly traded REIT and for recharacterizing capital gain dividends as ordinary dividends were increased from not more than 5% to not more than 10%.
  - Effective December 18, 2015, new rules simplified the determination of whether we are a "domestically controlled qualified investment entity."
  - For dispositions and distributions after December 18, 2015, "qualified foreign pension funds" as defined in new Internal Revenue Code Section 897(l)(2) and entities that are wholly owned by a qualified foreign pension fund are exempted from FIRPTA and FIRPTA withholding. New FIRPTA rules also apply to "qualified shareholders" as defined in Internal Revenue Code Section 897(k)(3).
  - For sales of USRPIs occurring after February 16, 2016, the FIRPTA withholding rate for sales of USRPIs and certain distributions generally increased from 10% to 15%.

The Tax Cuts and Jobs Act

On December 22, 2017, President Trump signed into law H.R. 1, informally titled the Tax Cuts and Jobs Act, or the TCJA. The TCJA made major changes to the Internal Revenue Code including several provisions of the Internal Revenue Code that may affect the taxation of REITs and their securityholders described under the heading "U.S. Federal Income Tax Considerations" in our prospectus included in our Registration Statement on Form S-3 filed December 7, 2015. Certain provisions of the TCJA were temporarily modified by the Coronavirus Aid, Relief and Economic Security Act, or the CARES Act. The most significant of these provisions, as modified by the CARES Act, if applicable, are briefly summarized as follows:

- With respect to individuals, the TCJA made significant changes to individual tax rates and deductions:
  - The TCJA created seven income tax brackets for individuals ranging from 10% to 37% that generally apply at higher thresholds than current law. For example, the highest 37% rate applies to joint return filer incomes above $600,000, instead of the highest 39.6% rate that applied to incomes above $470,700 under pre-TCJA law.
  - The maximum 20% rate that applies to long-term capital gains and qualified dividend income remained unchanged, as did the 3.8% Medicare tax on net investment income.
  - The TCJA eliminated personal exemptions, but nearly doubled the standard deduction for most individuals (for example, the standard deduction for joint return filers rose from $12,700 in 2017 to $24,000 in 2018).
  - The TCJA eliminated many itemized deductions, limited individual deductions for state and local income, property and sales taxes (other than those paid in a trade or business) to $10,000 collectively for joint return filers, and limited the amount of new acquisition indebtedness on principal or second residences for which mortgage interest deductions are available to $750,000. Interest deductions for new home equity debt were eliminated.
  - Charitable deductions were generally preserved. The phaseout of itemized deductions based on income was eliminated.
  - The TCJA did not eliminate the individual alternative minimum tax, but it raised the exemption and exemption phaseout threshold for application of the tax.
  - These individual income tax changes were generally effective beginning in 2018, but without further legislation, they will sunset after 2025.
- Under the TCJA, individuals, trusts, and estates generally may deduct 20% of "qualified business income" (generally, domestic trade or business income other than certain investment items) of certain pass-through entities. In addition, "qualified REIT dividends" (i.e., REIT dividends other than capital gain dividends and portions of REIT dividends designated as qualified dividend income, which in each case are already eligible for capital gain tax rates) and certain other income items are eligible for the deduction by the taxpayer. The overall deduction is limited to 20% of the sum of the taxpayer's taxable income (less net capital gain) and certain cooperative dividends, subject to further limitations based on taxable income. In addition, for taxpayers with income above a certain threshold (e.g., $315,000 for joint return filers), the deduction for each trade or business is generally limited to no more than the greater of (i) 50% of the taxpayer's proportionate share of total wages from the pass-through entity, or (ii) 25% of the taxpayer's proportionate share of such total wages plus 2.5% of the unadjusted basis of acquired tangible depreciable property that is used to produce qualified business income and satisfies certain other requirements. To qualify for this deduction, the stockholder receiving such dividend must hold the dividend-paying REIT shares for at least 46 days (taking into account certain special holding period rules) of the 91-day period beginning 45 days before the shares become ex-dividend, and cannot be under an obligation to make related payments with respect to a position in substantially similar or related property.
- The deduction for qualified REIT dividends is not subject to these wage and property basis limits. Consequently, the deduction equates to a maximum 29.6% tax rate on ordinary REIT dividends. As with the other individual income tax changes, the deduction provisions were effective beginning in 2018. Without further legislation, the deduction would sunset after 2025.
- Net operating loss, or NOL, provisions were modified by the TCJA. The TCJA limited the NOL deduction to 80% of taxable income (before the deduction), however, this 80% limitation was lifted for taxable years beginning before January 1, 2021 by the CARES Act. The TCJA also generally eliminated NOL carrybacks for individuals and non-REIT corporations, however, under the CARES Act, NOLs generated in years beginning after December 31, 2017 and before January 1, 2021 may be carried back five years. REITs may not carryback NOLs, but may carryforward NOLs indefinitely. Subject to the modifications by the CARES Act, the new NOL rules apply to losses arising in taxable years beginning in 2018.
- The TCJA reduced the 35% maximum federal corporate income tax rate to a maximum 21% rate, and reduced the dividends-received deduction for certain corporate subsidiaries. The reduction of the federal corporate income tax rate to 21% also results in the reduction of the maximum rate of withholding with respect to our distributions to non-U.S. stockholders that are treated as attributable to gains from the sale or exchange of USRPIs from 35% to 21%. The TCJA also permanently eliminated the corporate alternative minimum tax. These provisions were effective beginning in 2018.
- The TCJA limited a taxpayer's net interest expense deduction to 30% of the sum of adjusted taxable income, business interest, and certain other amounts. The CARES Act temporarily increased this limit, in the absence of an election otherwise, to 50% for non-partnership entities for their 2019 and 2020 taxable years and for partnerships for their 2020

taxable years. In addition, under the CARES Act, a taxpayer may elect to use its adjusted taxable income from its 2019 taxable year for purposes of calculating its limitation in its 2020 taxable year. Adjusted taxable income does not include items of income or expense not allocable to a trade or business, business interest or expense, the new deduction for qualified business income, NOLs, and for years prior to 2022, deductions for depreciation, amortization, or depletion. For partnerships, the interest deduction limit is applied at the partnership level, subject to certain adjustments to the partners for unused deduction limitation at the partnership level. Under the CARES Act, partner allocated disallowed interest with respect to a partnership's 2019 taxable year may deduct 50% of such amount in such partner's 2020 taxable year. The TCJA allows a real property trade or business to elect out of this interest limit so long as it uses a 40-year recovery period for nonresidential real property, a 30-year recovery period for residential rental property, and a 40-year recovery period for related improvements described below. For this purpose, a real property trade or business is any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operating, management, leasing, or brokerage trade or business. We believe this definition encompasses our business and thus will allow us the option of electing out of the limits on interest deductibility should we determine it is prudent to do so. Nonetheless, if a domestic TRS borrows funds either from us or a third party, it may be unable to deduct all or a portion of the interest paid, resulting in a higher corporate-level tax liability. Disallowed interest expense is carried forward indefinitely (subject to special rules for partnerships). The interest deduction limit applied beginning in 2018.

- For taxpayers that do not use the TCJA's real property trade or business exception to the business interest deduction limits, the TCJA maintains the current 39-year and 27.5-year straight line recovery periods for nonresidential real property and residential rental property, respectively, and provides that tenant improvements for such taxpayers are subject to a general 15-year recovery period. Also, the TCJA temporarily allows 100% expensing of certain new or used tangible property through 2022, phasing out at 20% for each following year. The changes apply, generally, to property acquired after September 27, 2017 and placed in service after September 27, 2017.
- The TCJA continues the deferral of gain from the like-kind exchange of real property, but provides that foreign real property is no longer "like-kind" to domestic real property. Furthermore, the TCJA eliminated like-kind exchanges for most personal property. These changes were effective generally for exchanges completed after December 31, 2017.
- The TCJA moved the United States from a worldwide to a modified territorial tax system, with provisions included to prevent corporate base erosion. These provisions could affect the taxation of foreign subsidiaries and properties.
- The TCJA made other significant changes to the Internal Revenue Code. These changes include provisions limiting the ability to offset dividend and interest income with partnership or S corporation net active business losses. These provisions were effective beginning in 2018, but without further legislation, will sunset after 2025.

U.S. Healthcare Regulation

Overview

Assisted living, independent living, memory care, hospitals, SNFs and other healthcare providers that operate healthcare properties in our portfolio are subject to extensive federal, state and local laws, regulations and industry standards governing their operations. Failure to comply with any of these, and other, laws could result in loss of licensure, loss of certification or accreditation, denial of reimbursement, imposition of civil and/or criminal penalties and fines, suspension or exclusion from federal and state healthcare programs, or closure of the facility. Although the properties within our portfolio may be subject to varying levels of governmental scrutiny, we expect that the healthcare industry, in general, will continue to face increased regulation and pressure in the areas of fraud and abuse and privacy and security, among others. We also expect that efforts by third-party payors, such as the federal Medicare program, state Medicaid programs and private insurers, to impose greater and more stringent cost controls upon operators will intensify and continue. Changes in laws, regulations, reimbursement, and enforcement activity can all have a significant effect on the operations and financial condition of our tenants, operators and managers, which in turn may adversely impact us, as set forth below and under Item 1A. "Risk Factors."

Fraud and Abuse Enforcement

Healthcare providers are subject to federal and state laws and regulations that govern their operations and, in some cases, arrangements with referral sources. These laws include those that require providers to furnish only medically necessary services and submit to third-party payors valid and accurate statements for each service, as well as kickback laws, self-referral laws and false claims acts. In particular, enforcement of the federal False Claims Act has resulted in increased enforcement activity for healthcare providers and can involve significant monetary damages and awards to private plaintiffs who successfully bring "whistleblower" lawsuits. Sanctions for violations of these laws, regulations and other applicable guidance may include, but are not limited to, loss of licensure, loss of certification or accreditation, denial of reimbursement, imposition of civil and criminal penalties and fines, suspension or exclusion from federal and state healthcare programs or closure of the facility, any of which

could have a material adverse effect on the operations and financial condition of our operators, which, in turn may adversely impact us.

Healthcare Reform

The Patient Protection and Affordable Care Act of 2010, or ACA, impacted the healthcare marketplace by decreasing the number of uninsured individuals in the United States through the establishment of health insurance exchanges to facilitate the purchase of health insurance, expanded Medicaid eligibility, subsidized insurance premiums and included requirements and incentives for businesses to provide healthcare benefits. The ACA remains subject to legislative, administrative, and judicial challenge and scrutiny, and could be amended, modified or invalidated in whole or in part at any time.

The U.S. Department of Health and Human Services, or the DHHS, and its agency that oversees much of the ACA, the Centers for Medicare and Medicaid Services, or CMS, have substantially revised a number of ACA-related regulations, which have altered financial support for health plans, enrollment operations and individuals seeking to purchase insurance. CMS also has allowed new insurance options offering less coverage to compete in the market. These changes and other market dynamics are associated with declining enrollment and increased numbers of uninsured and under-insured individuals in recent years. Further, CMS has approved waivers permitting states to alter state Medicaid programs by, among other things, requiring individuals to meet certain requirements, like work requirements, in order to maintain eligibility for Medicaid (although some of these waivers have subsequently been challenged in court). The new administration may seek to revise many of these regulatory and subregulatory actions. In the meantime, these and other actions may continue to impact the insurance markets and reduce the number of individuals purchasing insurance or qualifying for Medicaid and may negatively impact the operations and financial condition of our tenants and operators, which in turn may adversely impact us. If the new administration and Congress seek different policy directions, those changes could strengthen the ACA and positively impact enrollment experience, but these changes nonetheless could cause disruption in the marketplace, which could negatively impact the operations and financial condition of our tenants and operators, which in turn may adversely impact us.

In 2017, Congress enacted legislation eliminating the tax penalty for individuals who do not purchase insurance after it unsuccessfully sought to replace substantial parts of the ACA with different mechanisms for facilitating insurance coverage in the commercial and Medicaid markets. Based in part on this change, on December 14, 2018, a U.S. District Court in Texas ruled the ACA unconstitutional in its entirety. The case is now pending before the U.S. Supreme Court. No changes are expected while the appeals are pending. Should lower court rulings be upheld in whole or part, it could dramatically change U.S. healthcare regulation in numerous ways and may potentially spur congressional action, making the ultimate consequences of the ruling difficult to predict. Should the ruling be upheld and implemented, the immediate effects would include reduced access to health coverage through: (1) reduced Medicaid eligibility, (2) the disestablishment of health insurance exchanges and accompanying subsidized premiums, and (3) no requirement for businesses to provide health insurance. Amendments, including certain waivers, to healthcare fraud and abuse laws made by the ACA would also be void, which could change the enforcement posture of federal regulators. Current healthcare reimbursement standards, including those discussed below, are predicated, in part, on changes made by the ACA and implementation of this ruling would create significant uncertainty regarding the legality of such standards and what standards are in effect absent the ACA. The effects of this ruling could adversely affect the operations and financial condition of our tenants and operators, and adversely impact us.

Reimbursement Generally

Federal, state and private payor reimbursement methodologies applied to healthcare providers are continuously evolving. Federal and state healthcare financing authorities are continuing to implement new or modified reimbursement methodologies that shift risk to healthcare providers and generally reduce payments for services, which may negatively impact healthcare property operations. Additionally, Congress and the new presidential administration could substantially change the health insurance industry and payment systems. The impact of any such changes, if implemented, may result in an adverse effect on our tenants and operators, and may adversely impact us.

SNFs and hospitals typically receive most of their revenues from the Medicare and Medicaid programs, with the balance representing reimbursement payments from private payors, including private insurers and self-pay patients. Seniors housing facilities (ALFs, ILFs and MCFs) typically receive most of their revenues from private pay sources and a small portion of their revenue from the Medicaid program. Providers that contract with government and private payors may be subject to periodic pre- and post-payment reviews and other audits. Payors are increasing their scrutiny of payments for items and services, and are increasingly decreasing or denying payments to providers. A review or audit of a property operator's claims could result in recoupments, denials or delay of payments in the future, each of which could have a significant negative financial impact on such property. In some instances, a property operator may be removed and barred from participating in one or more federal or state programs, which can have a debilitating impact on cash flow, revenue expectations and ultimately, viability. Any development that compromises the financial viability of an operator negatively impacts us. Additionally, there can be no guarantee that a third-party payor will continue to reimburse for services at current levels or continue to be available to residents

of our facilities. Rates generated at facilities will vary by payor mix, market conditions and resident acuity. Rates paid by self-pay residents are set by the facilities and are determined by local market conditions and operating costs.

Medicare Reimbursement

Medicare is a significant payor source for our SNFs and hospitals. SNFs and hospitals are reimbursed by Medicare under prospective payment systems; payments to a tenant under these Medicare payment systems varies based upon the type of hospital, geographic location and service furnished, among other things. Under these payment systems, providers typically receive fixed fees for defined services, which creates a risk that payments will not cover the costs of delivering care. In addition, CMS continues to focus on linking payment to performance relative to quality and other metrics, including performance of up- and downstream, unrelated providers, and bundling payments for multiple items and services in a way that shifts more financial risk to providers. These changes, and a facility's ability to conform to them, could reduce payments and patient volumes for some facilities, including our operators, which may in turn impact us. Furthermore, while CMS has previously tested some of these new payment principles through optional "models," CMS could adopt rules making certain detrimental payment policies broadly applicable and mandatory. The new presidential administration could propose additional unanticipated changes to the amount and manner in which healthcare providers are paid, and these changes also could have a material adverse effect on payments and patient volumes for some facilities.

Skilled Nursing Conditions for Participation - On October 4, 2016, CMS published a final rule to make major changes to improve the care and safety of residents in long-term care facilities that participate in the Medicare and Medicaid programs. The policies in this final rule were targeted at reducing unnecessary hospital readmissions and infections, improving the quality of care, and strengthening safety measures for residents in these facilities. The regulations were effective on November 28, 2016, but CMS has been implementing the regulations using a phased approach, with Phase 1 of the regulations implemented on November 28, 2016 and Phase 2 of the regulations implemented on November 28, 2017. Phase 3 of the regulations were to be implemented on November 28, 2019, but CMS proposed substantial changes in July 2019. Those changes have not been finalized yet. In the meantime, Phase 3 has not been implemented. Failure of our operators to comply with the new regulations could have an adverse impact the operations and financial condition of our operators, which in turn may adversely impact us.

Skilled Nursing - In August 2018, CMS adopted a revised methodology used to compensate SNFs for therapy services, which changes the core basis of reimbursement from duration of services provided to reimbursement based on anticipated patient needs; these changes took effect on October 1, 2019. A SNF operator's ability to conform to these changes could positively or negatively impact the facility's revenue, which in turn, may impact us.

Medicaid Reimbursement

Medicaid is also a significant payor source for our SNFs and hospitals. The federal and state governments share responsibility for financing Medicaid. Within certain federal guidelines, states have a fairly wide range of discretion to determine Medicaid eligibility and reimbursement methodology. In recent years, CMS embraced a more flexible approach to state amendments and waivers that allow states even more latitude to determine eligibility and reimbursement. Certain states are attempting to slow the rate of growth in Medicaid expenditures by freezing rates or restricting eligibility and benefits; some states have elected not to expand their Medicaid eligibility criteria pursuant to the ACA. Some states have pursued block grant arrangements with CMS, which cap overall federal financial participation, and incentivize the state to reduce Medicaid expenditures. Some states are transitioning their Medicaid programs to managed care models, which rely on networks of contracted providers to provide services at reduced negotiated rates to a higher volume of patients than they might see absent the contract. Such changes may reduce the volume of Medicaid patients at facilities that do not participate in the managed care plan's network. Facilities that do participate may not receive a sufficient increase in patient volume to offset their lowered reimbursement rates. The new Administration may seek to revisit some of these flexibilities and trends, which could further disrupt state Medicaid regimes and adversely affect providers. In some states, our tenants and operators could experience delayed or reduced payment for services furnished to Medicaid enrollees, which in turn may adversely impact us. Further, as noted above, ongoing litigation regarding the ACA and Medicaid waivers may also affect Medicaid coverage and reimbursement.

Licensure, CON, Certification and Accreditation

Hospitals, SNFs, seniors housing facilities and other healthcare providers that operate healthcare properties in our portfolio may be subject to extensive state licensing and certificate of need, or CON, laws and regulations, which may restrict the ability of our operators to add new properties, expand an existing facility's size or services, or transfer responsibility for operating a particular facility to a new operator. The failure of our tenants or managers to obtain, maintain or comply with any required license, CON or other certification, accreditation or regulatory approval (which could be required as a condition of third-party payor reimbursement) could result in loss of licensure, loss of certification or accreditation, denial of reimbursement, imposition of civil and/or criminal penalties and fines, suspension or exclusion from federal and state healthcare programs or closure of the facility, any of which could have an adverse effect on our operations and financial condition.

Health Information Privacy and Security

Healthcare providers, including those in our portfolio, are subject to numerous state and federal laws that protect the privacy and security of patient health information. The federal government, in particular, has significantly increased its enforcement of these laws. The failure of our operators and managers to maintain compliance with privacy and security laws could result in the imposition of penalties and fines, which in turn may adversely impact us.

COVID-19 Pandemic

A variety of federal, state and local government efforts have been initiated in response to the COVID-19 pandemic. At the federal level, Congress has enacted a series of emergency stimulus packages, including the CARES Act and the Paycheck Protection Program and Health Care Enhancement Act to provide economic stimulus to individuals and businesses impacted by the COVID-19 pandemic. The CARES Act includes provisions reimbursing eligible health care providers that provide diagnoses, testing or care for individuals with possible or actual cases of COVID-19 for certain health care-related expenses or lost revenues not otherwise reimbursed that are directly attributable to COVID-19 through the DHHS Provider Relief Fund. Recipients must satisfy reporting obligations and attest to terms and conditions. The DHHS will have significant anti-fraud monitoring of the funds distributed and is posting a public list of providers and their payments.

The CARES Act and other relief legislation includes provisions designed to boost Medicare and Medicaid reimbursement for COVID-19 related services, and the CARES Act also temporarily suspended certain Medicare payment policies that reduce reimbursement. The Families First Coronavirus Response Act provided a temporary increase in the Federal Medical Assistance Percentage effective January 1, 2020 and lasting through the last day of the calendar quarter in which the public health emergency terminates. In addition, a portion of the available funding is being distributed to reimburse health care providers that submit claims requests for COVID-19-related treatment of uninsured patients at Medicare rates.

On March 28, 2020, CMS expanded the existing Accelerated and Advance Payments Program, or the Program, to a broader group of Medicare Part A providers and Part B suppliers. An accelerated or advance payment is a payment intended to provide necessary funds when there is a disruption in claims submission and/or claims processing. The CARES Act provided additional benefits and flexibilities, including extended repayment timeframes, for payments received pursuant to the Program. CMS and state and local government agencies have also passed measures allowing for flexibility in delivery of care. It is unclear whether these flexibilities will maintain after the termination of the public health emergency.

The failure of our operators and managers to maintain compliance with the terms of applicable stimulus relief could result in the imposition of recoupment or other penalties, which in turn may adversely impact us.

Investment Company Act

We believe that we are not, and intend to conduct our operations so as not to become, regulated as an investment company under the Investment Company Act of 1940, as amended, or the Investment Company Act. We have relied, and intend to continue to rely, on current interpretations of the staff of the SEC in an effort to continue to qualify for an exemption from registration under the Investment Company Act. For more information on the exemptions that we use, refer to Item 1A. "Risk Factors—Risks Related to Regulatory Matters and Our REIT Tax Status—*Maintenance of our Investment Company Act exemption imposes limits on our operations*."

For additional information regarding regulations applicable to us, refer to below and Item 1A. "Risk Factors."

Human Capital

As of December 31, 2020, we had no employees. Our Advisor or its affiliates provide management, acquisition, advisory, marketing, investor relations and certain administrative services for us.

Independent Directors' Review of Our Policies

As required by our charter, our independent directors have reviewed our policies, including but not limited to our policies regarding investments, leverage, conflicts of interest and investment allocation and determined that they are in the best interests of our stockholders.

Corporate Governance and Internet Address

We emphasize the importance of professional business conduct and ethics through our corporate governance initiatives. Our board of directors consists of a majority of independent directors. The audit committee of our board of directors is composed exclusively of independent directors. We have adopted corporate governance guidelines and a code of ethics, which delineate our standards for our officers and directors.

Our internet address is *www.northstarhealthcarereit.com*. The information on our website is not incorporated by reference in this Annual Report on Form 10-K. We make available, free of charge through a link on our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports, if any, as filed or furnished with the SEC, as soon as reasonably practicable after such filing or furnishing. Our site also contains our code of ethics, corporate governance guidelines and our audit committee charter. Within the time period required by the rules of the SEC, we will post on our website any amendment to our code of ethics or any waiver applicable to any of our directors, executive officers or senior financial officers.

Item 1A. Risk Factors

The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial or that generally apply to all businesses also may adversely impact our business. If any of the following risks occur, our business, financial condition, operating results, cash flow and liquidity could be materially adversely affected.

Risks Related to Our Business

The ongoing COVID-19 pandemic and measures intended to prevent its spread could have a material adverse effect on our business, results of operations, cash flows and financial condition.

We anticipate that the COVID-19 pandemic and measures to prevent its spread will continue to materially and adversely impact our business. Our revenue depends significantly on occupancy levels at our properties. Occupancy has declined and is expected to continue to decline during the pandemic as shelter-in-place restrictions and restrictions on admissions have dramatically limited inquiries and tours and caused a significant reduction in move-ins. At the same time, the pandemic raises the risk of resident illness and death and move-outs at our properties as patients choose to obtain care at home instead of facilities. In addition, we have incurred additional operating costs to obtain adequate staffing and personal protective equipment. We do not know to what extent, if any, federal, state and local relief programs may alleviate these concerns, and the timing, adequacy and ultimate effects, including significant auditing, oversight and enforcement of appropriate use of such relief, cannot be predicted at this time. For our direct operating investments, we expect that these factors will continue to directly impact our revenues, operating income and cash flow generated by operations during the pandemic.

For our direct net lease investments, these factors will influence our operators' ability and willingness to pay rent, which in turn will impact our revenues, net operating income and cash flow generated by operations. The performance of our operators in our Arbors portfolio and Fountains net lease portfolio have been significantly and adversely affected by COVID-19 thus far, which has resulted in delays and shortfalls in payment of rent. The impact of COVID-19 on their ability to pay rent in the future is currently unknown. We may be forced to restructure operators' long-term lease obligations or suffer adverse consequences from the bankruptcy, insolvency or financial deterioration of one or more of our operators, borrowers or managers.

Declines in performance at our properties may result in defaults under our borrowings, including in some cases insufficient cash flow generated by operations to support current debt service on our borrowings. Any defaults will negatively impact our liquidity and may increase our risk of loss associated with our properties. We entered into forbearance agreements temporarily suspending debt service payments for borrowings on properties within our Aqua, Rochester, Arbors, Winterfell and Fountains portfolios, with the aggregate outstanding principal amount of these borrowings totaling $1.3 billion as of December 31, 2020, and are currently repaying the deferred debt service.

We continue to engage with lenders, where necessary, regarding potential defaults. However, if COVID-19 continues to impact performance and we are unable to obtain accommodations from our lenders, we may be required to repay outstanding obligations, including penalties, prior to the stated maturity, or potentially have assets foreclosed upon.

Although we have taken measures to preserve capital, a prolonged period of decreased revenues, defaults under borrowings and limited ability to dispose of assets to generate additional liquidity could materially and adversely affect our financial condition and long-term prospects.

We may also be subject to increased risk of litigation and liability claims as a result of the COVID-19 pandemic and our operating partners' response efforts.

We do not control the operations of our healthcare properties and are therefore dependent on the operators and managers, as applicable, of these properties to successfully operate their businesses.

Our healthcare properties are typically operated by healthcare operators pursuant to net leases or by independent third-party managers pursuant to management agreements. As a result, we are unable to directly implement strategic business decisions with

respect to the daily operation and marketing of these properties. We also rely on operators and managers to operate our properties in compliance with all applicable laws and regulations. Given the disproportionate impact that the COVID-19 pandemic has had on senior housing and skilled nursing facilities, there is a material risk that these facilities may be subject to lawsuits and administrative scrutiny for failing to take appropriate measures to comply with infection control protocols, leading to illnesses and deaths of patients, residents and staff. Even if a facility was not materially affected by the COVID-19 pandemic, the entire senior services industry is likely to experience heightened scrutiny by state and federal regulatory authorities and plaintiffs' attorneys. While we have various rights as the property owner under our leases or management agreements and monitor the operators/managers' performance, we may have limited recourse under our leases or management agreements if we believe that the operators/managers are not performing adequately. Failure by the operators/managers to adequately manage the risks associated with operations of these properties could result in defaults under our borrowings and otherwise affect adversely our results of operations. Furthermore, if our operators/managers experience any significant financial, legal, accounting or regulatory difficulties, such difficulties could have a material adverse effect on us.

We are directly exposed to operational risks at certain of our healthcare properties, which could adversely affect our revenue and operations.

As of December 31, 2020, we had 62 properties operated pursuant to management agreements, excluding our unconsolidated ventures and assets held for sale, or 77.2% of our operating real estate, where we are directly exposed to various operational risks that may increase our costs or adversely affect our ability to generate revenues. These risks include: (i) fluctuations in occupancy; (ii) fluctuations in government reimbursement and private pay rates, including the inability to achieve economic resident fees; (iii) increases in the cost of food, materials, energy, labor (as a result of unionization or otherwise) or other services; (iv) rent control regulations; (v) national and regional economic conditions; (vi) the imposition of new or increased taxes; (vii) capital expenditure requirements; (viii) federal, state, local licensure, certification and inspection, fraud and abuse, and privacy and security laws, regulations and standards; (ix) professional and general liability claims; (x) the availability and increases in cost of general and professional liability insurance coverage; and (xi) the impact of actual and anticipated outbreaks of disease and epidemics, such as COVID-19. Any one or a combination of these factors may adversely affect our revenue and operations.

Even for these properties where we are directly exposed to operational risks, our managers are ultimately in control of the day-to-day business of our seniors housing facilities. We rely on our managers' personnel, expertise, technical resources and information systems, proprietary information, good faith and judgment to manage our seniors housing facilities efficiently and effectively. We also rely on our managers to set appropriate resident fees, to provide accurate property-level financial results for our properties in a timely manner and to otherwise operate our seniors housing facilities in compliance with all applicable laws and regulations. The failure by our managers to adequately manage these properties could have a material adverse effect on our business, results of operations and financial condition.

If these properties do not generate sufficient revenues to cover expenses, we are responsible for any operating shortfalls. For the year ended December 31, 2020, eight of our properties operated under management agreements generated operating losses. Our Winterfell portfolio in particular, which represents 38.5% of our operating real estate, does not currently generate sufficient cash flow from operations to satisfy all of the debt service obligations for the borrowings on this portfolio, as well as the capital expenditures we deem necessary in order to maintain the value of the portfolio. We are currently using other sources of capital to satisfy these obligations, including cash flow generated by other portfolios and dispositions. These operating shortfalls are adversely impacting our liquidity and results of operations. If performance of the Winterfell portfolio does not improve, it will have a material adverse impact on the overall value of our investments. These performance issues may also result in defaults under our borrowings, subject us to liabilities and expense and will adversely impact our liquidity, results of operations and the value of our investments.

We depend on two operators/managers, Watermark Retirement Communities, or Watermark, and Solstice, for a significant majority of our revenues and net operating income. Adverse developments in Watermark's or Solstice's business and affairs or financial condition could have a material adverse effect on us.

As of December 31, 2020, Watermark and Solstice or their respective affiliates collectively managed 56 of our seniors housing facilities pursuant to management agreements. In addition, Watermark operated an additional six of our seniors housing facilities pursuant to a net lease as of December 31, 2020. For the year ended December 31, 2020, properties managed and leased by Watermark and Solstice represented 50.3% and 36.7% of our total property and other revenues, respectively, and 48.1% and 38.5% of our operating real estate, respectively.

Watermark and Solstice, either directly or through affiliates, operate other healthcare properties or have other business initiatives that may be in conflict with our interests or cause them to fail to prioritize our properties. In addition, if either Watermark or Solstice are unable to attract, retain and incentivize qualified personnel, it could impair their respective ability to manage our properties efficiently and effectively. Further, any significant changes in senior management or equity ownership, or

adverse developments in their businesses and affairs or financial condition, could also impair their respective ability to manage our properties and could have a materially adverse effect on us.

For Watermark, in particular, we have several different investments across portfolios and in different ownership and operating structures. As a result, our interests may not always be aligned on a particular investment and, to the extent we have disputes with Watermark, such disputes could impact Watermark's performance on our other investments.

Decreases in our operators' revenues or increases in our operators' expenses could negatively affect our financial results.

Our operators' revenues are primarily driven by occupancy, private pay rates and Medicare and Medicaid reimbursement, if applicable. Expenses for these facilities are primarily driven by the costs of labor, food, utilities, taxes, insurance and rent or debt service. Revenues from government reimbursement may continue to be subject to reimbursement cuts, disruptions in payment, audit and recovery actions and state budget shortfalls. Additionally, federal and state governmental entities are considering and may impose new regulatory obligations that could increase costs, expose our operators to financial penalties or program suspension or exclusion, or limit their number of residents or patients. In addition, revenues may be affected by a severe flu season, an epidemic or other widespread illness, such as coronavirus, that impacts occupancy and length of stay, which our operators cannot control. Operating costs, including labor costs and costs of compliance with government programs, continue to increase for our operators. To the extent that any decrease in revenues and/or any increase in operating expenses result in a property not generating sufficient cash, our operators may not be able to make payments to us. During the year ended December 31, 2020, within our consolidated portfolio of investments, two of our three operators failed to satisfy minimum lease coverage ratios under their leases and/or failed to timely pay their full rent to us. Any such performance issues may result in defaults under our borrowings, subject us to liabilities and expense and will adversely impact our liquidity, results of operations and the value of our investments.

If we must replace any of our operators or managers, we might be unable to reposition the properties on as favorable terms, or at all, and we could be subject to delays, limitations and expenses, which could have a material adverse effect on us.

If our operators or managers experience performance challenges, or at the expiration of a lease term, we may need to negotiate new leases or management agreements with our operators or managers or reposition our properties with new operators or managers. In these circumstances, rental payments or operating cash flow on the related properties could decline or cease altogether while we reposition the properties. We also may not be successful in identifying suitable replacements or enter into new leases or management agreements on a timely basis or on terms as favorable to us as our current leases and management agreements, if at all, and we may be required to fund certain expenses and obligations (e.g., real estate taxes, insurance, debt costs and maintenance expenses) to preserve the value of, and avoid the imposition of liens on, our properties while they are being repositioned. In addition, we may incur certain obligations and liabilities, including obligations to indemnify the replacement operator or manager. Once a suitable replacement operator/manager has taken over operation of the properties, it may still take an extended period of time before the properties are fully repositioned and value restored, if at all. If we are unable to find a suitable replacement operator or manager, we may determine to dispose of a property, which may result in a loss. Any of these results could have a material adverse effect on our business, financial condition and results of operations.

In particular, the net lease pursuant to which six seniors housing facilities in our Fountains portfolio are operated expires in March 2022. We may be unable to renew the lease with the current operator at the same rent, or at all. Given the nature of these properties (i.e., entrance-fee CCRCs), it may also be difficult to find a replacement operator to operate these properties. If we elect to operate these facilities pursuant to a management agreement rather than a net lease, there may be tax, regulatory and other factors that expose us to additional risks and liabilities, which may have a material adverse effect on our results of operations and the value of our investments. We may ultimately elect to dispose of these assets, which may result in a loss.

The bankruptcy, insolvency or financial deterioration of any of our operators may materially adversely affect our business, results of operations and financial condition.

We are exposed to the risk that our operators may not be able to meet their obligations to us or other third parties, which may result in their bankruptcy or insolvency. Although our leases permit us to evict an operator, demand immediate repayment and pursue other remedies, bankruptcy laws afford certain rights to a party that has filed for bankruptcy or reorganization. Additionally, state licensing laws and regulations limit the ability of a non-licensed entity to assume responsibility for operations of, or exercise control over, a licensed healthcare facility. An operator in bankruptcy may be able to restrict our ability to collect unpaid rents during the bankruptcy proceeding. In addition, we would likely be required to fund certain expenses and obligations (e.g., real estate taxes, insurance, debt costs and maintenance expenses) to preserve the value of our properties, avoid the imposition of liens on our properties or transition our properties to a new operator or manager.

Furthermore, bankruptcy or insolvency proceedings typically also result in increased costs to the operator, significant management distraction and performance declines. If we are unable to transition affected properties, they would likely

experience prolonged operational disruption, leading to lower occupancy rates and further depressed revenues. Publicity about the operator's financial condition and insolvency proceedings may also negatively impact their and our reputations, decreasing customer demand and revenues. Any or all of these risks could have a material adverse effect on our revenues, results of operations and cash flows. These risks would be magnified where we lease multiple properties to a single operator under a master lease, as an operator failure or default under a master lease would expose us to these risks across multiple properties.

Increased competition could adversely affect future occupancy rates, operating margins and profitability at our properties.

The healthcare industry is highly competitive, and our operators and managers may encounter increased competition for residents and patients, including with respect to the scope and quality of care and services provided, reputation and financial condition, physical appearance of the properties, price and location. If development outpaces demand in the markets in which our properties are located, those markets may become saturated and our operators and managers could experience decreased occupancy, reduced operating margins and lower profitability, which could have a material adverse effect on us.

We are subject to risks associated with capital expenditures, and our failure to adequately manage such risks could have a material adverse effect on our business, financial condition and results of operations.

Our properties require significant investment in capital expenditures. If we fail to adequately invest in capital expenditures, occupancy rates and the amount of rental and reimbursement income generated by our healthcare facilities may decline, which would negatively impact the overall value of the affected facilities. At the same time, capital expenditures subject us to risks, including cost overruns, the inability of the operator to generate sufficient cash flow to achieve the projected return and potential declines in the value of the property. There can be no assurance that any investment in capital expenditures increases the overall return on our investments. If we fail to adequately manage such risks, it could have a material adverse effect on our business, financial condition and results of operations. These risks may be further heightened due to our limited sources of liquidity, and we could find ourselves in a position with insufficient liquidity to fund future obligations.

Our joint venture partners could take actions that decrease the value of an investment to us and lower our overall return.

We have made significant investments through joint ventures with third parties. For example, we currently have joint ventures with Colony Capital, our Sponsor, with respect to the Diversified US/UK (formerly Griffin-American) and Eclipse portfolios, Formation, with respect to the Eclipse and Espresso portfolios, GAHR3 and GAHR4 with respect to the Trilogy portfolio and Watermark with respect to portions of the Fountains, Aqua and Rochester portfolios. As of December 31, 2020, unconsolidated joint ventures and consolidated joint ventures represented 35.4% and 20.9%, respectively, of our total real estate equity investments, based on cost. Such investments may involve risks not otherwise present with other methods of investment, including, for example, the following risks:

- our joint venture partner in an investment could become insolvent or bankrupt;
- fraud or other misconduct by our joint venture partners;
- we may share decision-making authority with our joint venture partner regarding certain major decisions affecting the ownership of the joint venture and the joint venture property, such as the sale of the property or the making of additional capital contributions for the benefit of the property, which may prevent us from taking actions that are opposed by our joint venture partner;
- such joint venture partner may at any time have economic or business interests or goals that are or that become in conflict with our business interests or goals, including for example the operation of the properties;
- such joint venture partner may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives;
- our joint venture partners may be structured differently than us for tax purposes and this could create conflicts of interest and risk to our REIT status;
- we may rely upon our joint venture partners to manage the day-to-day operations of the joint venture and underlying assets, as well as to prepare financial information for the joint venture and any failure to perform these obligations may have a negative impact on our performance and results of operations;
- our joint venture partner may experience a change of control, which could result in new management of our joint venture partner with less experience or conflicting interests to ours and be disruptive to our business;
- we may not be able to control distributions from our joint ventures; and
- the terms of our joint ventures could restrict our ability to sell or transfer our interest to a third party when we desire on advantageous terms, which could result in reduced liquidity.

Any of the above might subject us to liabilities and thus reduce our returns on our investment with that joint venture partner. In addition, disagreements or disputes between us and our joint venture partner could result in litigation, which could increase our expenses and potentially limit the time and effort our officers and directors are able to devote to our business.

Further, in some instances, we and/or our partner may have the right to trigger a buy-sell arrangement, which could cause us to sell our interest, or acquire our partner's interest, at a time when we otherwise would not have initiated such a transaction. Our ability to acquire our partner's interest may be limited if we do not have sufficient cash, available borrowing capacity or other capital resources. In such event, we may be forced to sell our interest in the joint venture when we would otherwise prefer to retain it.

Failure to comply with certain healthcare laws and regulations could adversely affect our operations.

Our operators and managers generally are subject to varying levels of federal, state, local, and industry-regulated laws, regulations and standards. For our operating properties, our subsidiaries are generally required to be the holder of the applicable healthcare license and enrolled in government healthcare programs (e.g., Medicare, Medicaid), where applicable, and are therefore directly subject to various regulatory laws. Our operators/managers' failure to comply with any of these laws, regulations or standards could result in denial of reimbursement, imposition of fines, penalties or damages, suspension, decertification or exclusion from federal and state healthcare programs, loss of license, loss of accreditation or certification, or closure of the facility. Such actions may directly expose us to liability and expense, or have an effect on our operators' ability to meet all of their obligations to us, including obligations to make lease payments, and adversely impact us. Refer to "U.S. Healthcare Regulation" included in Item 1 of this Annual Report on Form 10-K for further discussion.

Changes in the reimbursement rates or methods of payment from third-party payors, including the Medicare and Medicaid programs, could have a material adverse effect on certain of our operators and on us.

Certain of our operators rely on reimbursement from third party payors, including payments received through the Medicare and Medicaid programs, for substantially all of their revenues. Federal and state legislators and healthcare financing authorities have adopted or proposed various cost-containment measures that would limit payments to healthcare providers and have considered Medicaid rate freezes or cuts. Additionally, some states are considering changes that would affect beneficiary eligibility for Medicaid. See "U.S. Healthcare Regulation" included in Item 1 of this Annual Report on Form 10-K. Private third party payors also have continued their efforts to control healthcare costs. We cannot assure you that our operators who currently depend on governmental or private payor reimbursement will be adequately reimbursed for the services they provide. Significant limits by governmental and private third party payors on the scope of services reimbursed or on reimbursement rates and fees, whether from legislation, administrative actions or private payor efforts, could have a material adverse effect on the liquidity, financial condition and results of operations of certain of our operators, which could affect adversely their ability to comply with the terms of our leases and have a material adverse effect on us.

Events that adversely affect the ability of seniors and their families to afford resident fees at our seniors housing facilities could cause our occupancy rates, resident fee revenues and results of operations to decline.

Costs to seniors associated with independent and assisted living services are generally not reimbursable under government reimbursement programs such as Medicare and Medicaid. Only seniors with income or assets meeting or exceeding the comparable median in the regions where our facilities are located typically will be able to afford to pay the entrance fees and monthly resident fees, and a weak economy, depressed housing market or changes in demographics could adversely affect their continued ability to do so. If our operators are unable to retain and attract seniors with sufficient income, assets or other resources required to pay the fees associated with independent and assisted living services and other services provided by our operators at our healthcare facilities, our occupancy rates and resident fee revenues could decline, which could, in turn, materially adversely affect our business, results of operations and financial condition and our ability to make distributions to stockholders.

Significant legal actions or regulatory proceedings could subject us or our managers and operators to increased operating costs and substantial uninsured liabilities, which could materially adversely affect our or their liquidity, financial condition and results of operations.

We may be subject to claims brought against us in lawsuits and other legal or regulatory proceedings arising out of our alleged actions or the alleged actions of managers. From time to time, we may also be subject to claims brought against us arising out of the alleged actions of our operators and for which such operators may have agreed to indemnify, defend and hold us harmless. An unfavorable resolution of any such litigation or proceeding could materially adversely affect our or their liquidity, financial condition and results of operations and have a material adverse effect on us.

In certain cases, we and our operators and managers may be subject to professional liability claims brought by plaintiffs' attorneys seeking significant punitive damages and attorneys' fees. Due to the historically high frequency and severity of

professional liability claims against senior housing and healthcare providers, the availability of professional liability insurance has decreased and the premiums on such insurance coverage remain costly. The number of claims of this nature may increase on account of the impact of the COVID-19 pandemic. These claims, with or without merit, could cause us to incur substantial costs, harm our reputation and adversely affect our ability to attract and retain residents, any of which could have a material adverse effect on our business, financial condition and results of operations. In particular, professional liability carriers may seek to exclude claims related to COVID-19 from coverage. As a result, insurance protection against such claims may not be sufficient to cover all claims against us or our operators or managers, and may not be available at a reasonable cost. If we or our operators and managers are unable to maintain adequate insurance coverage or are required to pay punitive damages, we or they may be exposed to substantial liabilities.

Our operators may be sued under a state or federal whistleblower statute.

Our operators who engage in business with the state or federal government may be sued under a state or federal whistleblower statute designed to combat fraud and abuse in the healthcare industry. See "Regulation–U.S. Healthcare Regulation" included in Item 1 of this Annual Report on Form 10-K. These lawsuits can involve significant monetary damages and award bounties to private plaintiffs who successfully bring these suits. If any of these lawsuits were brought against our operators, such suits combined with increased operating costs and substantial uninsured liabilities could have a material adverse effect on our operators' liquidity, financial condition and results of operations and on their ability to satisfy their obligations under our leases, which, in turn, could have a material adverse effect on us.

Our investments are subject to the risks typically associated with real estate.

In addition to risks related to the healthcare industry, our investments are subject to the risks typically associated with real estate, including:

- local, state, national or international economic conditions, including market disruptions caused by regional concerns, political upheaval and other factors;
- property operating costs, including insurance premiums, real estate taxes and maintenance costs;
- changes in interest rates and in the availability, cost and terms of mortgage financing;
- adverse changes in state and local laws, including zoning laws; and
- other factors which are beyond our control.

Because real estate investments are relatively illiquid, we may not be able to vary our portfolio in response to changes in economic and other conditions, which may result in losses to us.

Real estate investments are relatively illiquid, and our ability to quickly sell or exchange our properties in response to changes in economic or other conditions is limited. In the event we market any of our properties for sale, the value of those properties and our ability to sell at prices or on terms acceptable to us could be adversely affected by a downturn in the real estate industry or any economic weakness in the healthcare industry. In addition, transfers of healthcare properties may be subject to regulatory approvals that are not required for transfers of other types of commercial properties. We cannot assure you that we will recognize the full value of any property that we sell for liquidity or other reasons, and the inability to respond quickly to changes in the performance of our investments could adversely affect our business, results of operations and financial condition.

Our debt investment is a mezzanine loan subordinated to loans held by third parties.

Our debt investment is a mezzanine loan that is subordinated to senior secured loans held by other investors that encumber the same real estate. Although our mezzanine loan is not currently in default, it has been in default from time to time as a result of various defaults under one or more of the underlying senior secured loans. Defaults under senior secured loans may result in a loss of the related collateral underlying our mezzanine loan if the senior secured loan is foreclosed. Further, any remedies imposed by senior lenders may impair our borrower's ability to continue to satisfy its obligations to us. In order to protect our interest, we may need to advance funds to the senior lenders in order to cure defaults under the senior secured loans or to purchase or pay off that senior secured loan, and we may not have sufficient capital to do so in a timely manner or at all. In addition, our ability to negotiate modifications to the mezzanine loan documents with our borrower could be limited by restrictions on modifications in intercreditor agreements, as well as our rights as an equity holder in the collateral underlying our mezzanine loan.

We entered into a loan modification to extend the maturity date of our mezzanine loan to January 2022, subject to certain extension options. If the borrower is not able to stabilize its capital structure prior to the extended maturity date, it may be unable to refinance or otherwise repay the principal amount at its stated maturity.

We are subject to additional risks due to our international investments.

We have acquired real estate assets located in the United Kingdom through our investment in the Diversified US/UK Portfolio (formerly the Griffin-American portfolio). These investments may expose us to risks that are different from those commonly found in the United States, including, but not limited to:

- continuing uncertainty surround the process of the United Kingdom's withdrawal from the European Union, or Brexit, and the macroeconomic and regulatory effects of Brexit;
- translation and transaction risks relating to fluctuations in foreign currency exchange rates, including resulting from Brexit;
- adverse market conditions caused by inflation or other changes in national or local political and economic conditions;
- challenges of complying with a wide variety of foreign laws;
- changes in the availability, cost and terms of borrowings resulting from varying national economic policies; and
- legal and logistical barriers to enforcing our contractual rights in other countries, including insolvency regimes, landlord/tenant rights and ability to take possession of the collateral.

Insurance may not cover all potential losses on commercial real estate investments, which may impair the value of our assets.

We generally maintain or require that our operators obtain comprehensive insurance covering our properties and their operations. While we believe all of our properties are adequately insured, we cannot assure you that we or our operators will continue to be able to maintain adequate levels of insurance or that the policies maintained will fully cover all losses on our properties. We may not obtain, or require operators to obtain, certain types of insurance if it is deemed commercially unreasonable. We cannot assure you that material uninsured losses, or losses in excess of insurance proceeds, will not occur in the future.

Compliance with the ADA, Fair Housing Act and fire, safety and other regulations may require us or our operators to make unanticipated expenditures which could adversely affect our business, financial condition and results of operations.

Certain of our properties are required to comply with the ADA, which generally requires that buildings be made accessible to people with disabilities. We must also comply with the Fair Housing Act, which prohibits us and our operators from discriminating against individuals on certain bases in any of our practices if it would cause such individuals to face barriers in gaining residency in any of our facilities. In addition, our properties are required to operate in compliance with applicable fire and safety regulations, rent control regulations, building codes and other land use regulations and licensing or certification requirements adopted by governmental agencies and bodies from time-to-time. We may be required to incur substantial costs to comply with those requirements.

Environmental compliance costs and liabilities associated with our properties may materially impair the value of our investments and expose us to liability.

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner of real property, such as us and our operators, may be liable in certain circumstances for the costs of investigation, removal or remediation of, or related releases of, certain hazardous or toxic substances, including materials containing asbestos, at, under or disposed of in connection with such property, as well as certain other potential costs relating to hazardous or toxic substances, including government fines and damages for injuries to persons and adjacent property. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and the costs it incurs in connection with the contamination. These laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence or disposal of such substances and liability may be imposed on the owner in connection with the activities of a tenant at the property. The presence of contamination or the failure to remediate contamination may adversely affect our ability to sell or lease real estate, or to borrow using the real estate as collateral, which, in turn, could reduce our revenues. We, as owner of a site, may be liable under common law or otherwise to third parties for damages and injuries resulting from environmental contamination emanating from the site. The cost of any required investigation, remediation, removal, fines or personal or property damages and our or our operators' liability could significantly exceed the value of the property without any limits.

Risks Related to Our Capital Structure

We require capital in order to operate our business, and the failure to obtain such capital would have a material adverse effect on our business, financial condition and results of operations.

We may not be able to fund all future capital needs, including capital expenditures, debt obligations and other commitments, from cash flows generated from operations. As a result, we may need to rely on external sources of capital to fund future capital needs. If we are unable to obtain needed capital at all or only on unfavorable terms, we might not be able to make the investments needed to maintain or grow our business or to meet our obligations and commitments as they become due, which could have a material adverse impact on us. Our access to capital depends upon a number of factors over which we have little or no control, including, among others, the performance of the national and global economies generally, competition in the healthcare industry, issues facing the healthcare industry, including regulations and government reimbursement policies, operating costs and the market value of our properties. Although we believe that we have sufficient access to capital and other sources of funding to meet our expected liquidity needs after suspending monthly distributions to stockholders, we cannot assure you that our access to capital and other sources of funding will not become constrained, which could adversely affect the availability and terms of future borrowings, renewals or refinancings and our results of operation and financial condition. If we do not generate sufficient cash flow from operations and cannot access capital at an acceptable cost or at all, we may be required to liquidate one or more investments in properties at times that may not permit us to maximize the return on those investments or that could result in adverse tax consequences to us.

We use significant leverage in connection with our investments, which increases the risk of loss associated with our investments and restricts our ability to engage in certain activities.

As of December 31, 2020, we had $2.2 billion of borrowings outstanding, including both our borrowings and our proportionate interest of the borrowings of our unconsolidated joint ventures. We may also incur additional borrowings in the future to satisfy our capital and liquidity needs. Although the use of leverage may enhance returns and increase the number of investments that we can make, it increases our risk of loss, impacts our liquidity and restricts our ability to engage in certain activities. Our substantial borrowings, among other things:

- require us to dedicate a large portion of our cash flow to pay principal and interest on our borrowings, which reduces the availability of cash flow to fund working capital, capital expenditures and other business activities;
- may require us to maintain minimum cash balances;
- increase our vulnerability to general adverse economic and industry conditions, as well as operational failures by our operators and managers;
- may require us to post additional reserves and other additional collateral to support our financing arrangements, which could reduce our liquidity and limit our ability to leverage our assets;
- subject us to maintaining various debt, operating income, net worth, cash flow and other covenants and financial ratios;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- restrict our operating policies and ability to make strategic acquisitions, dispositions or exploit business opportunities;
- place us at a competitive disadvantage compared to our competitors that have fewer borrowings;
- put us in a position that necessitates raising equity capital at a time that is unfavorable to us and dilutive to our stockholders;
- limit our ability to borrow additional funds (even when necessary to maintain adequate liquidity), dispose of assets or make distributions to stockholders; and
- increase our cost of capital.

If we fail to comply with the covenants in the instruments governing our borrowings or do not generate sufficient cash flow to service our borrowings, our liquidity may be materially and adversely affected. As of December 31, 2020, $107.2 million in aggregate principal amount of our non-recourse borrowings, including both our borrowings and our proportionate interest of the borrowings of our unconsolidated joint ventures, were in default as a result of the failure of our operators or managers to pay rent or satisfy certain performance thresholds or other covenants. We also had an additional $1.3 billion of borrowings subject to forbearance agreements due to our election to temporarily defer debt service at the outset of the pandemic. As a result of these defaults or if we default on additional borrowings, we may be required to repay outstanding obligations, including penalties, prior to the stated maturity, be subject to cash flow sweeps or potentially have assets foreclosed upon. In addition, as of the date hereof, we have approximately $559.8 million of borrowings maturing in 2022, including both our borrowings and our

proportionate interest of the borrowings of our unconsolidated joint ventures, and we or our joint venture partners may be unable to refinance these borrowings when they become due on favorable terms, or at all, which could have a material adverse impact on our results of operations.

We may not be able to generate sufficient cash flow to meet all of our existing or potential future debt service obligations.

Our ability to meet all of our existing or potential future debt service obligations, to refinance our indebtedness, and to fund our operations, working capital, capital expenditures or other important business uses, depends on our ability to generate sufficient cash flow. Our future cash flow is subject to, among other factors, the performance of our operators and managers, as well as general economic, industry, financial, competitive, operating, legislative and regulatory conditions, many of which are beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operations or that future sources of cash will be available to us on favorable terms, or at all, in amounts sufficient to enable us to meet all of our existing or potential future debt service obligations, or to fund our other important business uses or liquidity needs. For example, our Winterfell portfolio does not currently generate sufficient cash flow to cover all debt service obligations and capital expenditures for the portfolio. If performance does not improve or we are no longer able to fund shortfalls with cash flow generated by other portfolios, we may no longer be able to satisfy these obligations. Furthermore, if we incur additional indebtedness, our existing or potential future debt service obligations could increase significantly and our ability to meet those obligations could depend, in large part, on the returns from the use of such capital, as to which no assurance can be given.

If we do not generate sufficient cash flow from operations and additional borrowings or refinancings are not available to us, we may be unable to meet all of our existing or potential future debt service obligations. As a result, we would be forced to take other actions to meet those obligations, such as selling properties or delaying capital expenditures, any of which could have a material adverse effect on us. Furthermore, we cannot assure you that we will be able to effect any of these actions on favorable terms, or at all.

We are exposed to increases in interest rates, which could reduce our profitability and adversely impact our ability to refinance existing debt, sell assets or engage in investment activity, and our decision to hedge against interest rate risk might not be effective.

Certain of our borrowings are floating-rate obligations. If interest rates rise, the costs of our existing floating-rate borrowings and any new borrowings that we incur would increase. These increased costs could reduce our profitability, impair our ability to meet our debt obligations, or increase the cost of financing our investment activity. An increase in interest rates also could limit our ability to refinance existing debt upon maturity or cause us to pay higher rates upon refinancing, as well as decrease the amount that third parties are willing to pay for our assets, thereby limiting our ability to promptly reposition our portfolio in response to changes in economic or other conditions. We manage our exposure to interest rate volatility primarily through the use of interest rate caps, however these arrangements may not be effective in reducing our exposure to interest rate changes.

Some of our existing indebtedness uses as a reference rate LIBOR, as calculated for U.S. dollar, or USD-LIBOR, and we expect a transition from LIBOR to another reference rate due to plans to phase out the reference rate by the end of 2021, after which point its continuation cannot be assured. Though an alternative reference rate for USD-LIBOR, the Secured Overnight Financing Rate, or SOFR, exists, significant uncertainties still remain. We can provide no assurance regarding the future of LIBOR and when our LIBOR-based instruments will transition from USD-LIBOR as a reference rate to SOFR or another reference rate. The discontinuation of a benchmark rate or other financial metric, changes in a benchmark rate or other financial metric, or changes in market perceptions of the acceptability of a benchmark rate or other financial metric, including LIBOR, could, among other things result in increased interest payments, changes to our risk exposures, or require renegotiation of previous transactions. In addition, any such discontinuation or changes, whether actual or anticipated, could result in market volatility, adverse tax or accounting effects, increased compliance, legal and operational costs, and risks associated with contract negotiations.

Our distribution policy is subject to change. We may not be able to make distributions in the future.

Our board of directors determines an appropriate common stock distribution based upon numerous factors, including our targeted distribution rate, REIT qualification requirements, the amount of cash flow generated from operations, availability of existing cash balances, borrowing capacity under existing credit agreements, access to cash in the capital markets and other financing sources, our view of our ability to realize gains in the future through appreciation in the value of our assets, general economic conditions and economic conditions that more specifically impact our business or prospects. Future distribution levels are subject to adjustment based upon any one or more of the risk factors set forth in this Annual Report on Form 10-K, as well as other factors that our board of directors may, from time-to-time, deem relevant to consider when determining an appropriate

common stock distribution. After considering all of these factors, on February 1, 2019, our board of directors determined to suspend the monthly distribution payments to stockholders. The board of directors will continue to assess our distribution policy in light of our operating performance and capital needs; however, we may not be able to make distributions in the future at all or at any particular rate.

If we pay distributions from sources other than our cash flow provided by operations, we will have less cash available for investments and your overall return may be reduced.

Our organizational documents permit us to pay distributions from any source, including offering proceeds, borrowings, our Advisor's agreement to defer, reduce or waive fees (or accept, in lieu of cash, shares of our common stock) or sales of assets or we may make distributions in the form of taxable stock dividends. We have not established a limit on the amount of proceeds we may use to fund distributions. We have funded distributions in excess of our cash flow from operations. For the year ended December 31, 2020, we did not declare any distributions since our board of directors determined to suspend distributions in order to preserve capital and liquidity. For the year ended December 31, 2019, we declared distributions of $5.4 million compared to cash provided by operating activities of $25.3 million. For the declared distributions during the year ended December 31, 2019, $5.4 million, or 100%, of the distributions declared were paid using cash flow from operations.

We may not have sufficient cash available to pay distributions. If we pay distributions from sources other than our cash flow provided by operations, our book value may be negatively impacted and stockholders' overall return may be reduced.

Stockholders are not currently able to sell any of their shares of our common stock back to us pursuant to our Share Repurchase Program, and if they do sell their shares on any limited market that may develop, they may not receive the price they paid upon subscription.

Our Share Repurchase Program has been suspended since April 2020. Therefore, stockholders do not currently have the opportunity to sell any of their shares of our common stock back to us pursuant to our Share Repurchase Program. If a limited market develops to sell shares of our common stock, through tender offers or otherwise, stockholders are not likely to receive the same price they paid for any shares of our common stock being purchased.

Our board of directors determined an estimated value per share of $3.89 for our common stock as of June 30, 2020. You should not rely on the estimated value per share as being an accurate measure of the current value of shares of our common stock or in making an investment decision.

On December 21, 2020, our board of directors approved and established an estimated value per share of $3.89 for our common stock as of June 30, 2020. Our board of directors' objective in determining the estimated value per share was to arrive at a value, based on the most recent data available, that it believed was reasonable. However, the market for commercial real estate assets can fluctuate quickly and substantially and values are expected to change in the future and may decrease. Also, our board of directors did not consider certain other factors, such as a liquidity discount.

As with any valuation methodology, the methodologies used to determine the estimated value per share are based upon a number of estimates and assumptions that may prove later to be inaccurate or incomplete. Further, different market participants using different assumptions and estimates could derive different estimated values. The estimated value per share may also not represent the price that the shares of our common stock would trade at on a national securities exchange, the amount realized in a sale, merger or liquidation or the amount a stockholder would realize in a private sale of shares.

The estimated value per share of our common stock was calculated as of a specific date and is expected to fluctuate over time in response to future events, including but not limited to, changes to commercial real estate values, particularly healthcare-related commercial real estate, changes in our operating performance, changes in capitalization rates, rental and growth rates, the financial impact of COVID-19, changes in laws or regulations impacting the healthcare industry, demographic changes, returns on competing investments, changes in administrative expenses and other costs, the amount of distributions on our common stock, repurchases of our common stock, changes in the number of shares of our common stock outstanding, the proceeds obtained for any common stock transactions, local and national economic factors and the factors specified these risk factors. There is no assurance that the methodologies used to estimate value per share would be acceptable to the Financial Industry Regulatory Authority, Inc., or FINRA, or in compliance with the Employment Retirement Income Security Act, or ERISA, guidelines with respect to their reporting requirements.

No public trading market for our shares currently exists, and as a result, it will be difficult for stockholders to sell their shares and, if stockholders are able to sell their shares, stockholders will likely sell them at a substantial discount to the price paid for those shares.

Our charter does not require our board of directors to seek stockholder approval to liquidate our assets by a specified date, nor does our charter require us to list our shares for trading on a national securities exchange by a specified date or otherwise

pursue a transaction to provide liquidity to stockholders. There is no public market for our shares and we currently have no plans to list our shares on a national securities exchange. Until our shares are listed, if ever, stockholders may not sell their shares unless the buyer meets the applicable suitability and minimum purchase standards. Our Share Repurchase Program has been suspended and does not currently enable stockholders to sell their shares to us. Therefore, it is difficult for stockholders to sell their shares promptly or at all. If stockholders are able to sell their shares, stockholders would likely have to sell them at a substantial discount to the public offering price paid for those shares. It is also likely that stockholders' shares would not be accepted as the primary collateral for a loan.

If we do not successfully implement a liquidity transaction, stockholders may have to hold their investments for an indefinite period.

Our charter does not require our board of directors to pursue a transaction providing liquidity to stockholders. If our board of directors determines to pursue a liquidity transaction, we would be under no obligation to conclude the process within a set time. If we adopt a plan of liquidation, the timing of the sale of assets will depend on real estate and financial markets, economic conditions in areas in which our investments are located and federal income tax effects on stockholders that may prevail in the future. We cannot guarantee that we will be able to liquidate all of our assets on favorable terms, if at all. In addition, we are not restricted from effecting a liquidity transaction with a Managed Company, which may result in certain conflicts of interest. If we do not pursue a liquidity transaction or delay such a transaction due to market conditions, our common stock may continue to be illiquid and stockholders may, for an indefinite period of time, be unable to convert stockholders' shares to cash easily, if at all, and could suffer losses on their investment in our shares.

Risks Related to Our Advisor

Our ability to achieve our investment objectives depends in substantial part upon the performance of our Advisor.

Our ability to achieve our investment objectives depends in substantial part upon the performance of our Advisor. Stockholders must rely entirely on the management abilities of our Advisor and the oversight of our board of directors. Our Advisor and its affiliates receive fees in connection with the management of our investments regardless of their quality or performance or the services provided. As a result, our Advisor may be incentivized to take actions that increase the amount of fees payable to it. In addition, our Sponsor, the parent company of our Advisor, is an internally-managed REIT and manages capital on behalf of itself, as well as institutional and retail investors in private funds, non-traded and traded REITs and registered investment companies and therefore faces assorted conflicts of interest that may influence its actions. Refer to "—Risks Related to Conflicts of Interest" below.

Our ability to operate our business successfully would be harmed if key personnel terminate their employment with our Sponsor.

Our success depends to a significant degree upon the contributions of key personnel at our Sponsor or its affiliates. We do not have employment agreements with any of our executive officers. If the management agreement with our Advisor were to be terminated, we may lose the services of our executive officers and other of our Sponsor's investment professionals acting on our behalf.

Furthermore, we cannot assure stockholders that our key personnel will continue to be associated with our Sponsor or its affiliates in the future. If any of our executive officers ceased to be employed by our Sponsor, such individual may also no longer serve as one of our executive officers. Any change in our Sponsor's relationship with any of our executive officers or other key personnel may be disruptive to our business and hinder our ability to implement our business strategy.

We believe that our future success depends, in large part, upon our Sponsor and its affiliates' ability to hire and retain highly-skilled managerial, operational and marketing professionals. Competition for such professionals is intense, and our Sponsor and its affiliates may be unsuccessful in attracting and retaining such skilled individuals. Our Sponsor has adopted certain incentive plans to retain and attract the services of our key personnel; however, these incentive plans may be tied to the performance of our Sponsor's common stock, which has been and may continue to be volatile. If our Sponsor loses or is unable to obtain the services of highly-skilled professionals, our ability to implement our investment strategies could be delayed or hindered.

Our Sponsor's strategic pivot to digital real estate and infrastructure may create business uncertainties, which could have an adverse impact on our business.

Our Sponsor announced and is in the process of implementing a strategic transition of its business to focus on digital real estate and infrastructure. As a result, uncertainty may exist as it relates to our Sponsor's commitment to the healthcare real estate sector over the long-term. These uncertainties could disrupt our Sponsor's ability to manage our business, including its ability to attract, retain and motivate key personnel, and cause clients and others that deal with Colony Capital to seek to change existing

business relationships, cease doing business with Colony Capital or cause potential new clients to delay doing business with Colony Capital. Retention and motivation of certain employees may be challenging due to the uncertainty. As a result of the foregoing, management of our company may be adversely affected.

Our Sponsor has been and may continue to be subject to the actions of activist stockholders.

Our Sponsor has been and may continue to be the subject of increased activity by activist stockholders. Responding to stockholder activism can be costly and time-consuming, disrupt our operations and divert the attention of our Sponsor's management and key professionals from executing our business plan. Activist campaigns can create perceived uncertainties as to our future direction, strategy or leadership and may result in the loss of potential business opportunities and harm our ability to attract tenants, operators, managers and joint venture partners.

Any adverse changes in our Sponsor's financial health or the public perception of our Sponsor could hinder our operating performance and the return on stockholders' investment.

We have engaged our Advisor to manage our operations and our investments. Our ability to achieve our investment objectives is dependent upon the performance of our Sponsor and its affiliates, as well as our Sponsor's investment professionals in the management of our assets and operation of our day-to-day activities.

Because our Sponsor is a publicly-traded company, any negative reaction by the stock market reflected in its stock price or deterioration in the public perception of our Sponsor or other Managed Companies that are publicly traded, such as Colony Credit Real Estate, Inc. (NYSE: CLNC), could impact us. Any adverse changes in our Sponsor's financial condition, or public perception of its financial condition, could hinder our Advisor's ability to successfully manage our operations and our portfolio of investments.

In addition, certain key personnel of our Sponsor have been and may continue to be the subject of media attention, which includes scrutiny or criticism of our Sponsor, business and leadership. Any such negative attention and scrutiny could negatively impact our reputation, as well as that of certain of our Advisor's key personnel, which could in turn negatively impact our relationships with investors, partners, vendors and employees.

Our Sponsor may determine not to provide assistance, personnel support or other resources to our Advisor or us, which could impact our ability to achieve our investment objectives and pay distributions.

We rely on our Sponsor and its affiliates' personnel and other support for the purposes of managing our investment portfolio. Our Sponsor, however, may determine not to provide assistance to our Advisor or us. Consequently, if our Sponsor and its professionals determine not to provide our Advisor or us with any assistance or other resources, we may not achieve the same success that we would expect to achieve with such assistance, personnel support and resources.

Further, over the past few years, our Sponsor has implemented various initiatives to reduce its annual compensation and administrative expenses by, among other things, reducing its workforce globally. There can be no assurance that the reductions our Sponsor has made are the right reductions for our business. In addition, our Sponsor may experience additional attrition as a result of the uncertainty surrounding the workforce reduction. There is a risk that the restructuring, cost savings initiatives and reduction in personnel will make it more difficult to manage our business and conduct our operations.

Payment of fees to our Advisor and its affiliates reduces cash available for investment and distribution and increases the risk that stockholders will not be able to recover the amount of their investment in our shares.

Our Advisor and its affiliates perform services for us in connection with the management and administration of our investments. We pay them substantial fees for these services, which results in immediate dilution to the value of stockholders' investment and reduces the value of cash available for investment or distribution to stockholders. We may increase the compensation we pay to our Advisor subject to approval by our board of directors and other limitations in our charter, which would further dilute stockholders' investment and the amount of cash available for investment or distribution to stockholders.

Affiliates of our Advisor could also receive significant payments even without our reaching the investment-return thresholds should we seek to become self-managed. Due to the apparent preference of the public markets for self-managed companies, a decision to list our shares on a national securities exchange might well be preceded by a decision to become self-managed. Given our Advisor's familiarity with our assets and operations, we might prefer to become self-managed by acquiring entities affiliated with our Advisor. Such an internalization transaction could result in significant payments to affiliates of our Advisor irrespective of whether stockholders received the returns on which we have conditioned incentive compensation.

Therefore, these fees increase the risk that the amount available for distribution to common stockholders upon a liquidation of our portfolio would be less than the purchase price of the shares in our Offering. These substantial fees and other payments

also increase the risk that stockholders will not be able to resell their shares at a profit, even if our shares are listed on a national securities exchange.

Stockholders may be more likely to sustain a loss on their investment because our Sponsor does not have as strong an economic incentive to avoid losses as do sponsors who have made significant equity investments in their companies.

While our Sponsor has incurred substantial costs and devoted significant resources to support our business, as of December 31, 2020, our Sponsor has only invested $5.5 million in us through the purchase by its subsidiary of 0.6 million shares of our common stock, as well as another $28.9 million or 4.1 million shares, through the payment of the advisory fee in our shares. As a result, our Sponsor has minimal exposure to loss in the value of our shares. Without greater exposure, stockholders may be at a greater risk of loss because our Sponsor does not have as much to lose from a decrease in the value of our shares as do those sponsors who make more significant equity investments in their sponsored companies.

If we terminate our advisory agreement with our Advisor, we may be required to pay significant fees to an affiliate of our Sponsor, which will reduce cash available for distribution to stockholders.

Upon termination of our advisory agreement for any reason, including for cause, our Advisor will be paid all accrued and unpaid fees and expense reimbursements earned prior to the date of termination. In addition, the amounts currently drawn under our revolving line of credit from an affiliate of our Sponsor, would become immediately due and payable upon a termination of our Advisor.

If we internalize our management functions, stockholders' interests in us could be diluted and we could incur other significant costs associated with being self-managed.

Our board of directors may decide in the future to internalize our management functions. If we do so, we may elect to negotiate to acquire our Advisor's assets and/or to directly employ the personnel our Advisor or its affiliates use to perform services for us. Pursuant to our advisory agreement, we may not pay consideration to acquire our Advisor unless all of the consideration is payable in shares of our common stock and held in escrow by a third party and not released to our Advisor (or an affiliate thereof) until certain conditions are met. The payment of such consideration could result in dilution of the interests of stockholders and could reduce the net income and Modified Funds from Operations, or MFFO, attributable to our common stock.

Additionally, while we would no longer bear the costs of the various fees and expenses we expect to pay to our Advisor under our advisory agreement, our direct expenses would include general and administrative costs, including certain legal, accounting and other expenses related to corporate governance, SEC reporting and compliance matters, which may be in excess of the expenses allocated to us for such items by our Advisor. We would also be required to employ personnel and would be subject to potential liabilities commonly faced by employers, such as workers disability and compensation claims, potential labor disputes and other employee-related liabilities and grievances, as well as incur the compensation and benefits costs of our officers and other employees and consultants that are paid by our Advisor or its affiliates. We may issue equity awards to officers, employees and consultants, which awards would decrease net income and MFFO and may further dilute stockholders' investments. We may not be able to accurately estimate the additional costs we would incur if we became self-managed. If the expenses we assume as a result of an internalization are higher than the expenses we avoid paying to our Advisor, our net income and MFFO would be lower as a result of the internalization than it otherwise would have been, potentially decreasing the amount of cash available to distribute to stockholders and the value of our shares.

Internalization transactions involving the acquisition of advisors affiliated with entity sponsors have also, in some cases, been the subject of litigation. We could be forced to spend significant amounts of money defending claims which would reduce the amount of funds available for us to invest and cash available to pay distributions.

If we internalize our management functions, we could have difficulty integrating these functions as a stand-alone entity. Currently, our Advisor and its affiliates perform asset management and general and administrative functions, including accounting and financial reporting, for multiple entities. These personnel have substantial know-how and experience which provides us with economies of scale. We may fail to properly identify the appropriate mix of personnel and capital needs to operate as a stand-alone entity. Certain key employees may not become employees of our Advisor but may instead remain employees of our Sponsor or its affiliates. An inability to manage an internalization transaction effectively could thus result in our incurring excess costs and suffering deficiencies in our disclosure controls and procedures or our internal control over financial reporting. Such deficiencies could cause us to incur additional costs and our management's attention could be diverted from most effectively managing our investments.

Our Advisor is subject to extensive regulation, including as an investment adviser in the United States, which could adversely affect its ability to manage our business.

Certain of our Sponsor's affiliates, including our Advisor, are subject to regulation as investment advisers and/or fund managers by various regulatory authorities that are charged with protecting the interests of the Managed Companies, including us. Our Advisor could be subject to civil liability, criminal liability, or sanction, including revocation of its registration as an investment adviser in the United States, revocation of the licenses of its employees, censures, fines or temporary suspension or permanent bar from conducting business if it is found to have violated any of these laws or regulations. Any such liability or sanction could adversely affect its ability to manage our business.

Risks Related to Conflicts of Interest

The fees we pay to our Advisor and its affiliates in connection with the management of our investments were not determined on an arm's length basis; therefore, we do not have the benefit of arm's length negotiations of the type normally conducted between unrelated parties.

The fees to be paid to our Advisor and other affiliates for services they provide for us were not determined on an arm's length basis. As a result, the fees have been determined without the benefit of arm's length negotiations of the type normally conducted between unrelated parties and may be in excess of amounts that we would otherwise pay to third parties for such services.

Our executive officers and our Advisor's and its affiliates' key professionals face conflicts of interest caused by their compensation arrangements with us, which could result in actions that are not in the long-term best interests of our company.

Our executive officers and the key investment professionals relied upon by our Advisor are also officers, directors and managers of certain of the Managed Companies. Our Advisor and its affiliates, directly or indirectly, receive substantial fees from us. These fees could influence the advice given to us by the key personnel of our Advisor and its affiliates, including our Advisor's investment committee. Among other matters, these compensation arrangements could affect their judgment with respect to:

- the continuation, renewal or enforcement of our agreements with our Advisor and its affiliates, including our advisory agreement;
- sales of investments;
- borrowings to originate or acquire investments, which borrowings which historically increased the fees payable to our Advisor;
- whether and when we seek to list our common stock on a national securities exchange, which listing could entitle NorthStar Healthcare Income OP Holdings, LLC, an affiliate of our Sponsor, or the Special Unit Holder, to have its interest in our operating partnership redeemed;
- whether we seek approval to internalize our management, which may entail acquiring assets from our Sponsor (such as office space, furnishings and technology costs) and employing our Advisor's or its affiliates' professionals performing services for us for consideration that would be negotiated at that time and may result in these investment professionals receiving more compensation from us than they currently receive from our Advisor or its affiliates; and
- whether and when we seek to sell our company or its assets, which may entitle the Special Unit Holder to a subordinated distribution.

The fees our Advisor receives in connection with transactions involving the acquisition or origination of an asset were based on the cost of the investment, and not based on the quality of the investment or the quality of the services rendered to us. In addition, the Special Unit Holder, an affiliate of our Advisor, may be entitled to certain distributions subject to our stockholders receiving a 6.75% cumulative, non-compounded annual pre-tax return. This may influence our Advisor and its affiliates' key professionals to recommend riskier transactions to us.

In addition to the management fees we pay to our Advisor, we reimburse our Advisor for costs and expenses incurred on our behalf, including indirect personnel and employment costs of our Advisor and its affiliates and these costs and expenses may be substantial.

We pay our Advisor substantial fees for the services it provides to us and we also have an obligation to reimburse our Advisor for costs and expenses it incurs and pays on our behalf. Subject to certain limitations and exceptions, we reimburse our Advisor for both direct expenses as well as indirect costs, including personnel and employment costs of our Advisor, and its

affiliates, which may include certain executive officers of our Advisor and its affiliates, as well as rental and occupancy, technology, office supplies, travel and entertainment and other general and administrative costs and expenses. The costs and expenses our Advisor incurs on our behalf, including the compensatory costs incurred by our Advisor and its affiliates, can be substantial. There are conflicts of interest that arise when our Advisor makes allocation determinations. For the year ended December 31, 2020, our Advisor allocated $14.7 million in costs and expenses to us. Our Advisor could allocate costs and expenses to us in excess of what we anticipate and such costs and expenses could have an adverse effect on our financial performance and ability to make cash distributions to our stockholders.

Professionals acting on behalf of our Advisor face competing demands relating to their time and this may cause our operations and stockholders' investment to suffer.

Professionals acting on behalf of our Advisor that perform services for us are also executive officers or employees of our Sponsor and/or certain other Managed Companies. As a result of their interests in other Colony Capital entities and the fact that they engage in and they continue to engage in other business activities on behalf of themselves and others, these individuals face conflicts of interest in allocating their time among us, our Advisor and its affiliates, the other Managed Companies and other business activities in which they are involved. These conflicts of interest could result in less effective execution of our business plan as well as declines in the returns on our investments and the value of stockholders' investment.

Our executive officers and our Advisor's and its affiliates' key investment professionals who perform services for us face conflicts of interest related to their positions and interests in our Advisor and its affiliates which could hinder our ability to implement our business strategy and to generate returns to stockholders.

Our executive officers and the key investment professionals of our Advisor and its affiliates, including members of our Advisor's investment committee, who perform services for us may also be executive officers, directors and managers of our Advisor and its affiliates. As a result, they owe duties to each of these entities, their members and limited partners and investors, which duties may from time-to-time conflict with the fiduciary duties that they owe to us and stockholders. The loyalties of these individuals to other entities and investors could result in action or inaction that is detrimental to our business, which could harm the implementation of our business strategy and our investment opportunities. If we do not successfully implement our business strategy, we may be unable to generate the cash needed to make distributions to stockholders and to maintain or increase the value of our assets.

Our Advisor faces conflicts of interest relating to performing services on our behalf and such conflicts may not be resolved in our favor.

We rely on our Advisor's and its affiliates' investment professionals to identify suitable investment opportunities for our company as well as the other Managed Companies. Our investment strategy may be similar to that of, and may overlap with, the investment strategies of the other Managed Companies, as well as other companies, funds or vehicles that may be co-sponsored, co-branded and co-founded by, or subject to a strategic relationship between, our Sponsor or one of its affiliates, on the one hand, and a strategic or joint venture partner of our sponsor, or a partner, on the other. Therefore, many investment opportunities sourced by our Advisor or its affiliates or one or more of its partners that are suitable for us may also be suitable for other Managed Companies.

Our Advisor has adopted an allocation policy that provides that all investment opportunities sourced by associated persons of our Advisor are allocated among funds, vehicles or other strategic partners of Colony Capital based upon investment objectives, dedicated mandates, restrictions, risk profile and other relevant characteristics. If, after consideration of the relevant factors, our Advisor and its affiliates determine that such investment is equally suitable for more than one company, the investment will be allocated on a rotating basis. If, after an investment has been allocated to a particular company, including us, a subsequent event or development, such as delays in structuring or closing on the investment, makes it, in the opinion of our Advisor and its affiliates, more appropriate for a different entity to fund the investment, our Advisor and its affiliates may determine to place the investment with the more appropriate entity while still giving credit to the original allocation. In certain situations, our Advisor and its affiliates may determine to allow more than one client, including us, and Colony Capital to co-invest in a particular investment. In discharging its duties under this allocation policy, our Advisor and its affiliates endeavor to allocate all investment opportunities among the Managed Companies and Colony Capital in a manner that is fair and equitable over time.

While these are the current procedures for allocating investment opportunities, Colony Capital or its affiliates may sponsor or co-sponsor additional investment vehicles in the future and, in connection with the creation of such investment vehicles or otherwise, our Advisor and its affiliates may revise this allocation policy. The result of such a revision to the allocation policy may, among other things, be to increase the number of parties who have the right to participate in investment opportunities sourced by our Advisor and its affiliates and/or partners, thereby reducing the number of investment opportunities available to us. Changes to the investment allocation policy that could adversely impact the allocation of investment opportunities to us in

any material respect may be proposed by our Advisor and must be approved by our board of directors. In the event that our Advisor adopts a revised investment allocation policy that materially impacts our business, we will disclose this information in the reports we file publicly with the SEC, as appropriate.

The decision of how any potential investment should be allocated among us and other Managed Companies for which such investment may be most suitable may, in many cases, be a matter of highly subjective judgment which will be made by our Advisor and its affiliates in their sole discretion. Stockholders may not agree with the determination and such determination could have an adverse effect on our investment strategy. Our right to participate in the investment allocation process described above will terminate once we are no longer advised by our Advisor or its affiliates.

Our Advisor must continually address conflicts between its interests and those of its Managed Companies, including us. In addition, the SEC and other regulators have increased their scrutiny of potential conflicts of interest. However, appropriately dealing with conflicts of interest is complex and difficult and if our Advisor fails, or appears to fail, to deal appropriately with conflicts of interest, it could face litigation or regulatory proceedings or penalties, any of which could adversely affect its ability to manage our business.

Risks Related to Our Company and Corporate Structure

We are subject to substantial litigation risks and may face significant liabilities and damage to our professional reputation as a result of litigation allegations and negative publicity.

In the ordinary course of business, we are subject to the risk of substantial litigation and face significant regulatory oversight. Such litigation and proceedings, including, among others, potential regulatory actions and shareholder class action suits, may result in defense costs, settlements, fines or judgments against us, some of which may not be covered by insurance. Due to the inherent uncertainties of litigation and regulatory proceedings, we cannot accurately predict the ultimate outcome of any such litigation or proceedings. An unfavorable outcome could negatively impact our cash flow, financial condition, results of operations and the value of our common stock.

In addition, we may be exposed to litigation or other adverse consequences where investments perform poorly and our investors experience losses. We depend to a large extent on our business relationships and our reputation for integrity and high-caliber professional services to pursue investment opportunities. As a result, allegations of improper conduct by private litigants or regulators, regardless of merit and whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us or our investment activities, whether or not valid, may harm our reputation, which may be more damaging to our business than to other types of businesses.

We are subject to substantial regulation, numerous contractual obligations and extensive internal policies and failure to comply with these matters could have a material adverse effect on our business, financial condition and results of operations.

We and our subsidiaries are subject to substantial regulation, numerous contractual obligations and extensive internal policies. Given our organizational structure, we are subject to regulation by the SEC, FINRA, IRS, and other federal, state and local governmental bodies and agencies and state blue sky laws. These regulations are extensive, complex and require substantial management time and attention. If we fail to comply with any of the regulations that apply to our business, we could be subjected to extensive investigations as well as substantial penalties and our business and operations could be materially adversely affected. We also expect to have numerous contractual obligations that we must adhere to on a continuous basis to operate our business, the default of which could have a material adverse effect on our business and financial condition. Our internal policies may not be effective in all regards and, further, if we fail to comply with our internal policies, we could be subjected to additional risk and liability.

Our rights and the rights of stockholders to recover claims against our independent directors are limited, which could reduce stockholders' and our recovery against them if they negligently cause us to incur losses.

Maryland law provides that a director has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Our charter generally provides that: (i) no director shall be liable to us or stockholders for monetary damages (provided that such director satisfies certain applicable criteria); (ii) we will indemnify non-independent directors for losses unless they are negligent or engage in misconduct; and (iii) we will indemnify independent directors for losses unless they are grossly negligent or engage in willful misconduct. As a result, stockholders and we may have more limited rights against our independent directors than might otherwise exist under common law, which could reduce stockholders' and our recovery from these persons if they act in a negligent manner. In addition, we may be obligated to fund the defense costs incurred by our independent directors (as well as by our other directors, officers, employees (if we ever have employees) and agents) in some cases, which would decrease the cash otherwise available for distribution to stockholders.

We are highly dependent on information systems and systems failures could significantly disrupt our business.

As a commercial real estate company, our business is highly dependent on information technology systems, including systems provided by our Sponsor and third parties for which we have no control. Various measures have been implemented to manage our risks related to the information technology systems, but any failure or interruption of our systems could cause delays or other problems in our activities, which could have a material adverse effect on our financial performance. Potential sources for disruption, damage or failure of our information technology systems include, without limitation, computer viruses, security breaches, human error, cyber attacks, natural disasters and defects in design.

Failure to implement effective information and cyber security policies, procedures and capabilities could disrupt our business and harm our results of operations.

We have been, and likely will continue to be, subject to computer hacking, acts of vandalism or theft, malware, computer viruses or other malicious codes, phishing, employee error or malfeasance, catastrophes, unforeseen events or other cyber-attacks. To date, we have seen no material impact on our business or operations from these attacks or events. Any future externally caused information security incident, such as a hacker attack, virus or worm, or an internally caused issue, such as failure to control access to sensitive systems, could materially interrupt business operations or cause disclosure or modification of sensitive or confidential information and could result in material financial loss, loss of competitive position, regulatory actions, breach of contracts, reputational harm or legal liability. We are dependent on the effectiveness of our information and cyber security policies, procedures and capabilities to protect our computer and telecommunications systems and the data that resides on or is transmitted through them. The ever-evolving threats mean we and our third-party service providers and vendors must continually evaluate and adapt our respective systems and processes and overall security environment. There is no guarantee that these measures will be adequate to safeguard against all data security breaches, system compromises or misuses of data. In addition, as the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and constantly changing requirements applicable to our business, compliance with those requirements could also result in additional costs.

We depend on third-party contractors and vendors and our results of operations could suffer if our third-party contractors and vendors fail to perform or if we fail to manage them properly.

We use third-party contractors and vendors including, but not limited to, our external legal counsel, auditors, research firms, property managers, appraisers, insurance brokers, environmental engineering consultants, construction consultants, financial printers, proxy solicitation firms and transfer agent. If our third-party contractors and vendors fail to successfully perform the tasks for which they have been engaged to complete, either as a result of their own negligence or fault, or due to our failure to properly supervise any such contractors or vendors, we could incur liabilities as a result and our results of operations and financial condition could be negatively impacted.

We provide stockholders with information using funds from operations, or FFO, and MFFO, which are not in accordance with accounting principles generally accepted in the United States, or non-GAAP, financial measures that may not be meaningful for comparing the performances of different REITs and that have certain other limitations.

We provide stockholders with information using FFO and MFFO which are non-GAAP measures, as additional measures of our operating performance. We compute FFO in accordance with the standards established by National Association of Real Estate Investment Trusts, or NAREIT. We compute MFFO in accordance with the definition established by the Investment Program Association, or the IPA. However, our computation of FFO and MFFO may not be comparable to other REITs that do not calculate FFO or MFFO using these definitions without further adjustments.

Neither FFO nor MFFO is equivalent to net income or cash generated from operating activities determined in accordance with accounting principles generally accepted in the United States, or U.S. GAAP, and should not be considered as an alternative to net income, as an indicator of our operating performance or as an alternative to cash flow from operating activities as a measure of our liquidity.

We may change our targeted investments and investment guidelines without stockholder consent.

Our board of directors may change our targeted investments and investment guidelines at any time without the consent of stockholders, which could result in our making investments that are different from, and possibly riskier than the investments described in this Annual Report on Form 10-K. A change in our targeted investments or investment guidelines may increase our exposure to interest rate risk, default risk and real estate market fluctuations, all of which could adversely affect the value of our common stock and our ability to make distributions to stockholders.

We have broad authority to use leverage and high levels of leverage could hinder our ability to make distributions and decrease the value of stockholders' investment.

Our charter does not limit us from utilizing financing until our borrowings exceed 300% of our net assets, which is generally expected to approximate 75% of the aggregate cost of our investments, including cash, before deducting loan loss reserves, other non-cash reserves and depreciation. Further, we can incur financings in excess of this limitation with the approval of a majority of our independent directors. High leverage levels would cause us to incur higher interest charges and higher debt service payments and the agreements governing our borrowings may also include restrictive covenants. These factors could limit the amount of cash we have available to distribute to stockholders and could result in a decline in the value of stockholders' investment.

Our ability to make distributions is limited by the requirements of Maryland law.

Our ability to make distributions on our common stock is limited by the laws of Maryland. Under applicable Maryland law, a Maryland corporation may not make a distribution if, after giving effect to the distribution, the corporation would not be able to pay its liabilities as the liabilities become due in the usual course of business, or generally if the corporation's total assets would be less than the sum of its total liabilities plus the amount that would be needed if the corporation were dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of the stockholders whose preferential rights are superior to those receiving the distribution. Accordingly, we may not make a distribution on our common stock if, after giving effect to the distribution, we would not be able to pay our liabilities as they become due in the usual course of business or generally if our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of shares of any class or series of preferred stock then outstanding, if any, with preferences senior to those of our common stock.

Stockholders have limited control over changes in our policies and operations, which increases the uncertainty and risks they face as stockholders.

Our board of directors determines our major policies, including our policies regarding growth, REIT qualification and distributions. Our board of directors may amend or revise these and other policies without a vote of the stockholders. We may change our investment policies without stockholder notice or consent, which could result in investments that are different than, or in different proportion than, those described in this Annual Report on Form 10-K. Under the Maryland General Corporation Law, or MGCL, and our charter, stockholders have a right to vote only on limited matters. Our board of directors' broad discretion in setting policies and stockholders' inability to exert control over those policies increases the uncertainty and risks stockholders face. Under MGCL, and our charter, stockholders have a right to vote only on:

- the election or removal of directors;
- amendment of our charter, except that our board of directors may amend our charter without stockholder approval to (i) increase or decrease the aggregate number of our shares of stock of any class or series that we have the authority to issue; (ii) effect certain reverse stock splits; and (iii) change our name or the name or other designation or the par value of any class or series of our stock and the aggregate par value of our stock;
- our liquidation or dissolution;
- certain reorganizations of our company, as provided in our charter; and
- certain mergers, consolidations or sales or other dispositions of all or substantially all our assets, as provided in our charter.

Pursuant to Maryland law, all matters other than the election or removal of a director must be declared advisable by our board of directors prior to a stockholder vote. Our board of directors' broad discretion in setting policies and stockholders' inability to exert control over those policies increases the uncertainty and risks stockholders face.

Stockholders' interests in us will be diluted if we issue additional shares, which could reduce the overall value of stockholders' investment.

Stockholders do not have preemptive rights to any shares we issue in the future. Our charter authorizes us to issue a total of 450.0 million shares of capital stock, of which 400.0 million shares are classified as common stock and 50.0 million shares are classified as preferred stock. Our board of directors may amend our charter from time to time to increase or decrease the number of authorized shares of capital stock or the number of shares of stock of any class or series that we have authority to issue without stockholder approval. Our board of directors may elect to: (i) sell additional shares in a future public offering; (ii) issue equity interests in private offerings; (iii) issue shares to our Advisor, or its successors or assigns, in payment of an outstanding fee obligation; (iv) issue shares of our common stock to sellers of assets we acquire in connection with an exchange of limited

partnership interests of our operating partnership; or (v) issue shares of our common stock to pay distributions to existing stockholders. To the extent we issue additional equity interests, stockholders' percentage ownership interest in us will be diluted. In addition, depending upon the terms and pricing of any additional offerings and the value of our investments, stockholders may also experience dilution in the book value and fair value of their shares.

Our charter permits our board of directors to issue stock with terms that may subordinate the rights of our common stockholders or discourage a third party from acquiring us in a manner that could result in a premium price to stockholders.

Our board of directors may classify or reclassify any unissued common stock or preferred stock into other classes or series of stock and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption of any such stock. Thus, our board of directors could authorize the issuance of preferred stock with priority as to distributions and amounts payable upon liquidation over the rights of the holders of our common stock. Such preferred stock could also have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price to holders of our common stock. Our board of directors may determine to issue different classes of stock that have different fees and commissions from those being paid with respect to the shares sold in our Offering. Additionally, our board of directors may amend our charter from time to time to increase or decrease the aggregate number of authorized shares of stock or the number of authorized shares of any class or series of stock without stockholder approval.

Certain provisions of Maryland law may limit the ability of a third party to acquire control of us.

Certain provisions of the MGCL may have the effect of inhibiting a third-party from acquiring us or of impeding a change of control under circumstances that otherwise could provide our common stockholders with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- ***"business combination"*** provisions that, subject to limitations, prohibit certain business combinations between an "interested stockholder" (defined generally as any person who beneficially owns, directly or indirectly, 10% or more of the voting power of our outstanding shares of voting stock or an affiliate or associate of the corporation who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding stock of the corporation) or an affiliate of any interested stockholder and us for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter imposes two super-majority stockholder voting requirements on these combinations; and
- ***"control share"*** provisions that provide that holders of "control shares" of our company (defined as voting shares of stock that, if aggregated with all other shares of stock owned or controlled by the acquirer, would entitle the acquirer to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of issued and outstanding "control shares") have no voting rights except to the extent approved by stockholders by the affirmative vote of at least two-thirds of all of the votes entitled to be cast on the matter, excluding all interested shares.

Pursuant to the Maryland Business Combination Act, our board of directors has by resolution opted out of the business combination provisions. Our bylaws contain a provision exempting from the Maryland Control Share Acquisition Act any and all acquisitions by any person of shares of our stock. There can be no assurance that these resolutions or exemptions will not be amended or eliminated at any time in the future.

Our charter includes a provision that may discourage a person from launching a mini-tender offer for our shares.

Our charter provides that any tender offer made by a person, including any "mini-tender" offer, must comply with most provisions of Regulation 14D of the Exchange Act. A "mini-tender offer" is a public, open offer to all stockholders to buy their stock during a specified period of time that will result in the bidder owning less than 5% of the class of securities upon completion of the mini-tender offer process. Absent such a provision in our charter, mini-tender offers for shares of our common stock would not be subject to Regulation 14D of the Exchange Act. Tender offers, by contrast, result in the bidder owning more than 5% of the class of securities and are automatically subject to Regulation 14D of the Exchange Act. Pursuant to our charter, the offeror must provide our company notice of such tender offer at least ten business days before initiating the tender offer. If the offeror does not comply with these requirements, our company will have the right to repurchase the offeror's shares, including any shares acquired in the tender offer. In addition, the noncomplying offeror shall be responsible for all of our company's expenses in connection with that offeror's noncompliance and no stockholder may transfer any shares to such noncomplying offeror without first offering the shares to us at the tender offer price offered by such noncomplying offeror. This provision of our charter may discourage a person from initiating a mini-tender offer for our shares and prevent stockholders from receiving a premium price for their shares in such a transaction.

Our umbrella partnership real estate investment trust, or UPREIT, structure may result in potential conflicts of interest with limited partners in our operating partnership whose interests may not be aligned with those of stockholders.

Limited partners in our operating partnership have the right to vote on certain amendments to the partnership agreement, as well as on certain other matters. Persons holding such voting rights may exercise them in a manner that conflicts with the interests of stockholders. As general partner of our operating partnership, we are obligated to act in a manner that is in the best interest of our operating partnership. Circumstances may arise in the future when the interests of limited partners in our operating partnership may conflict with the interests of stockholders. These conflicts may be resolved in a manner stockholders do not believe are in their best interests.

In addition, the Special Unit Holder is an affiliate of our Sponsor and, as the special limited partner in our operating partnership may be entitled to: (i) certain cash distributions upon the disposition of certain of our operating partnership's assets; or (ii) a one-time payment in the form of cash or shares in connection with the redemption of the special units upon the occurrence of a listing of our shares on a national stock exchange or certain events that result in the termination or non-renewal of our advisory agreement. In addition, through our Sponsor's long-term partnership with Mr. Flaherty, Mr. Flaherty is entitled to receive one-third of any distributions received by the Special Unit Holder upon the disposition of certain of our operating partnership's assets. The Special Unit Holder will only become entitled to the compensation after stockholders have received, in the aggregate, cumulative distributions equal to their invested capital plus a 6.75% cumulative, non-compounded annual pre-tax return on such invested capital. This potential obligation to make substantial payments to the holder of the special units would reduce the overall return to stockholders to the extent such return exceeds 6.75%.

Risks Related to Regulatory Matters and Our REIT Tax Status

Maintenance of our Investment Company Act exemption imposes limits on our operations.

Neither we, nor our operating partnership, nor any of the subsidiaries of our operating partnership intend to register as an investment company under the Investment Company Act. We intend to make investments and conduct our operations so that we are not required to register as an investment company. If we were obligated to register as an investment company, we would have to comply with a variety of substantive requirements under the Investment Company Act that impose, among other things:

- limitations on capital structure;
- restrictions on specified investments;
- prohibitions on transactions with affiliates; and
- compliance with reporting, recordkeeping, voting, proxy disclosure and other rules and regulations that would significantly increase our operating expenses.

Section 3(a)(1)(A) of the Investment Company Act defines an investment company as any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the Investment Company Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer's total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis, which we refer to as the 40% test. Excluded from the term "investment securities," among other things, are U.S. government securities and securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company set forth in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act. Moreover, we take the position that general partnership interests in joint ventures structured as general partnerships are not considered securities at all and thus are not investment securities.

Because we are a holding company that conducts its businesses through subsidiaries, the securities issued by our subsidiaries that rely on the exception from the definition of "investment company" in Section 3(c)(1) or 3(c)(7) of the Investment Company Act, together with any other investment securities we may own directly, may not have a combined value in excess of 40% of the value of our total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. This requirement limits the types of businesses in which we may engage through these subsidiaries.

We must monitor our holdings and those of our operating partnership to ensure that they comply with the 40% test. Through our operating partnership's wholly owned or majority-owned subsidiaries, we and our operating partnership will be primarily engaged in the non-investment company businesses of these subsidiaries, namely the business of purchasing real estate properties or otherwise originating or acquiring mortgages and other interests in real estate.

Most of these subsidiaries will rely on the exclusion from the definition of an investment company under Section 3(c)(5)(C) of the Investment Company Act, which is available for entities "primarily engaged in the business of purchasing or otherwise

acquiring mortgages and other liens on and interests in real estate." This exclusion generally requires that at least 55% of a subsidiary's portfolio must be qualifying real estate assets and at least 80% of its portfolio must be qualifying real estate assets and real estate-related assets (and no more than 20% can be miscellaneous assets). Qualification for exclusion from registration under the Investment Company Act will limit our ability to acquire or sell certain assets and also could restrict the time at which we may acquire or sell assets. For purposes of the exclusion provided by Section 3(c)(5)(C), we will classify our investments based in large measure on no-action letters issued by the SEC staff and other SEC interpretive guidance and, in the absence of SEC guidance, on our view of what constitutes a qualifying real estate asset and a real estate related asset. These no-action positions were issued in accordance with factual situations that may be substantially different from the factual situations we may face, and a number of these no-action positions were issued more than thirty years ago. In August 2011, the SEC issued a concept release in which it asked for comments on various aspects of Section 3(c)(5)(C), and, accordingly, the SEC or its staff may issue further guidance in the future. Future revisions to the Investment Company Act or further guidance from the SEC or its staff may force us to re-evaluate our portfolio and our investment strategy.

Our failure to continue to qualify as a REIT would subject us to federal income tax.

We elected to be taxed as a REIT under the Internal Revenue Code commencing with the taxable year ended December 31, 2013. We intend to continue to operate in a manner so as to continue to qualify as a REIT for federal income tax purposes. Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which only a limited number of judicial and administrative interpretations exist. Even an inadvertent or technical mistake could jeopardize our REIT status. Our continued qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. Moreover, new tax legislation, administrative guidance or court decisions, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to continue to qualify as a REIT. If we fail to continue to qualify as a REIT in any taxable year, we would be subject to federal and applicable state and local income tax on our taxable income at corporate rates, in which case we might be required to borrow or liquidate some investments in order to pay the applicable tax. Losing our REIT status would reduce our net income available for investment because of the additional tax liability. In addition, distributions, if any, to stockholders would no longer qualify for the dividends-paid deduction. Furthermore, if we fail to qualify as a REIT in any taxable year for which we have elected to be taxed as a REIT, we would generally be unable to elect REIT status for the four taxable years following the year in which our REIT status is lost.

Complying with REIT requirements may force us to borrow funds to make distributions to stockholders or otherwise depend on external sources of capital to fund such distributions.

To continue to qualify as a REIT, we are required to distribute annually at least 90% of our taxable income, if any, subject to certain adjustments, to stockholders. To the extent that we satisfy the distribution requirement, but distribute less than 100% of our taxable income, if any, we will be subject to federal corporate income tax on our undistributed taxable income. In addition, we may elect to retain and pay income tax on our net long-term capital gain. In that case, a stockholder would be taxed on its proportionate share of our undistributed long-term gain and would receive a credit or refund for its proportionate share of the tax we paid. A stockholder, including a tax-exempt or foreign stockholder, would have to file a federal income tax return to claim that credit or refund. Furthermore, we will be subject to a 4% nondeductible excise tax if the actual amount that we distribute to stockholders in a calendar year is less than a minimum amount specified under federal tax laws. We did not have any REIT taxable income in 2020 subject to the distribution requirements and do not currently expect to have any REIT taxable income in 2021. Therefore, we do not currently expect that we will be required to make distributions in order to satisfy the REIT distribution requirements and we do not currently expect to make distributions for the foreseeable future.

If we do not have other funds available to make any required distributions, we could be required to borrow funds on unfavorable terms, sell investments at disadvantageous prices or find another alternative source of funds to make distributions sufficient to enable us to distribute enough of our taxable income to satisfy the REIT distribution requirement and to avoid corporate income tax and the 4% excise tax in a particular year. These alternatives could increase our costs or reduce our equity.

Despite our qualification for taxation as a REIT for federal income tax purposes, we may be subject to other tax liabilities that reduce our cash flow.

Despite our qualification for taxation as a REIT for federal income tax purposes, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income or property. Any of these taxes would decrease cash available for distribution to stockholders. For instance:

- In order to continue to qualify as a REIT, we must distribute annually at least 90% of our REIT taxable income (which is determined without regard to the dividends-paid deduction or net capital gain for this purpose), if any, to stockholders. To the extent that we satisfy the distribution requirement but distribute less than 100% of our REIT taxable income, if any, we will be subject to federal corporate income tax on the undistributed income.

- We will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions we pay in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years.
- If we have net income from the sale of foreclosure property that we hold primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, we must pay a tax on that income at the highest corporate income tax rate.
- If we sell an asset, other than foreclosure property, that we hold primarily for sale to customers in the ordinary course of business and do not qualify for a safe harbor in the Internal Revenue Code, our gain would be subject to the 100% "prohibited transaction" tax.
- Any domestic TRS of ours will be subject to federal corporate income tax on its income and on any non-arm's-length transactions between us and any TRS, for instance, excessive rents charged to a TRS could be subject to a 100% tax.
- If a domestic TRS borrows funds either from us or a third party, it may be unable to deduct all or a portion of the interest paid, resulting in a higher corporate-level tax liability. Specifically, the TCJA imposes a disallowance of deductions for business interest expense (even if paid to third parties) in excess of the sum of a taxpayer's business interest income and 30% (50% for non-partnership entities for their 2019 and 2020 taxable years under the CARES Act) of the adjusted taxable income of the business, which is its taxable income computed without regard to business interest income or expense, NOLs or the pass-through income deduction (and for taxable years before 2022, excludes depreciation and amortization).
- We may be subject to tax on income from certain activities conducted as a result of taking title to collateral.
- We may be subject to state or local income, property and transfer taxes, such as mortgage recording taxes.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities or liquidate otherwise attractive investments.

To continue to qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to stockholders and the ownership of our stock. As discussed above, to the extent we have taxable income, we may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. Additionally, we may be unable to pursue investments that would be otherwise attractive to us in order to satisfy the requirements for qualifying as a REIT.

We must also ensure that at the end of each calendar quarter at least 75% of the value of our assets consists of cash, cash items, government securities and qualified real estate assets, including certain mortgage loans and mortgage-backed securities. The remainder of our investment in securities (other than government securities, securities of TRSs and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets can consist of the securities of any one issuer (other than government securities, securities of TRSs and qualified real estate assets) and no more than 20% of the value of our total securities can be represented by securities of one or more TRSs. Finally, no more than 25% of our assets may consist of debt instruments that are issued by publicly offered REITs and could not otherwise be treated as qualifying real estate assets. If we fail to comply with these requirements at the end of any calendar quarter, we must correct such failure within 30 days after the end of the calendar quarter to avoid losing our REIT status and suffering adverse tax consequences, unless certain relief provisions apply. As a result, compliance with the REIT requirements may hinder our ability to operate solely on the basis of profit maximization and may require us to liquidate investments from our portfolio, or refrain from making, otherwise attractive investments. These actions could have the effect of reducing our income.

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Internal Revenue Code may limit our ability to hedge our operations effectively. Our aggregate gross income from non-qualifying hedges, fees and certain other non-qualifying sources cannot exceed 5% of our annual gross income. As a result, we might have to limit our use of advantageous hedging techniques or implement those hedges through a TRS. Any hedging income earned by a TRS would be subject to federal, state and local income tax at regular corporate rates. This could increase the cost of our hedging activities or expose us to greater risks associated with interest rate or other changes than we would otherwise incur.

Liquidation of assets may jeopardize our REIT qualification.

To continue to qualify as a REIT, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate our investments to satisfy our obligations to our lenders, we may be unable to comply with these

requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100% prohibited transaction tax on any resulting gain if we sell assets that are treated as dealer property or inventory.

The prohibited transactions tax may limit our ability to engage in transactions, including disposition of assets and certain methods of securitizing loans, which would be treated as sales for federal income tax purposes.

A REIT's net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of dealer property, other than foreclosure property. We may be subject to the prohibited transaction tax upon a disposition of real property. Although a safe-harbor exception to prohibited transaction treatment is available, we cannot assure stockholders that we can comply with such safe harbor or that we will avoid owning property that may be characterized as held primarily for sale to customers in the ordinary course of our trade or business. Consequently, we may choose not to engage in certain sales of real property or may conduct such sales through a TRS.

It may be possible to reduce the impact of the prohibited transaction tax by conducting certain activities through a TRS. However, to the extent that we engage in such activities through a TRS, the income associated with such activities will be subject to federal corporate income tax.

We may recognize substantial amounts of REIT taxable income, which we would be required to distribute to stockholders, in a year in which we are not profitable under U.S. GAAP or other economic measures.

We may recognize substantial amounts of REIT taxable income in years in which we are not profitable under U.S. GAAP or other economic measures as a result of the differences between U.S. GAAP and tax accounting methods. For instance, certain of our assets will be marked to market for U.S. GAAP purposes but not for tax purposes, which could result in losses for U.S. GAAP purposes that are not recognized in computing our REIT taxable income. Additionally, we may deduct our capital losses only to the extent of our capital gains in computing our REIT taxable income for a given taxable year. Consequently, we could recognize substantial amounts of REIT taxable income and would be required to distribute such income to stockholders, in a year in which we are not profitable under U.S. GAAP or other economic measures.

REIT distribution requirements could adversely affect our ability to execute our business plan.

We generally must distribute annually at least 90% of our REIT taxable income (which is determined without regard to the dividends-paid deduction or net capital gain for this purpose), if any, in order to continue to qualify as a REIT. We did not have any taxable income in 2020, and do not currently expect to have any taxable income in 2021. Therefore, we do not currently expect that we will be required to make distributions in order to satisfy the REIT distribution requirements and we do not currently expect to make distributions for the foreseeable future. However, we intend to make distributions to stockholders if necessary to comply with the REIT requirements of the Internal Revenue Code and to avoid corporate income tax and the 4% excise tax. We may be required to make any such distributions to stockholders at times when it would be more advantageous to reinvest cash in our business or when we do not have funds readily available for distribution. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

Our qualification as a REIT could be jeopardized as a result of our interest in joint ventures or investment funds.

We have acquired, and in the future may acquire, limited partner or non-managing member interests in partnerships and limited liability companies that are joint ventures or investment funds. If a partnership or limited liability company in which we own an interest takes or expects to take actions that could jeopardize our qualification as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. In addition, it is possible that a partnership or limited liability company could take an action which could cause us to fail a REIT gross income or asset test, and that we would not become aware of such action in time to dispose of our interest in the partnership or limited liability company or take other corrective action on a timely basis. In that case, we could fail to continue to qualify as a REIT unless we are able to qualify for a statutory REIT "savings" provision, which may require us to pay a significant penalty tax to maintain our REIT qualification.

The formation of any TRS lessees may increase our overall tax liability and transactions between us and any TRS lessee must be conducted on arm's-length terms to not be subject to a 100% penalty tax on certain items of income or deduction.

We have formed a TRS lessee to lease our seniors housing facilities that are "qualified health care properties." Our TRS lessee will be subject to federal and state corporate income tax on its taxable income, which will consist of the revenues from the seniors housing facilities leased by the TRS lessee, net of the operating expenses for such properties and rent payments to us. In addition, if our TRS lessee borrows funds either from us or a third party, it may be unable to deduct all or a portion of the interest paid, resulting in a higher corporate-level tax liability. Specifically, the TCJA imposes a disallowance of deductions for business interest expense (even if paid to third parties) in excess of the sum of a taxpayer's business interest income and 30% (50% for non-partnership entities for their 2019 and 2020 taxable years under the CARES Act) of the adjusted taxable income of the business, which is its taxable income computed without regard to business interest income or expense, NOLs or the pass-through

income deduction (and for taxable years before 2022, excludes depreciation and amortization). Accordingly, the ownership of our TRS lessee will allow us to participate in the operating income from our properties leased to our TRS lessee on an after-tax basis in addition to receiving rent. The after-tax net income of the TRS lessee is available for distribution to us. The REIT rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis. We will scrutinize all of our transactions with any TRS lessee to ensure that they are entered into on arm's-length terms, but there can be no assurance that we will be able to comply to avoid application of the 100% excise tax.

If our TRS lessee failed to qualify as a TRS or the facility managers engaged by our TRS lessee do not qualify as "eligible independent contractors," we would fail to qualify as a REIT and would be subject to higher taxes.

Rent paid by a lessee that is a "related party operator" of ours will not be qualifying income for purposes of the two gross income tests applicable to REITs. We may lease certain of our seniors housing facilities to our TRS lessee. So long as our TRS lessee qualifies as a TRS, it will not be treated as a "related party operator" with respect to our properties that are managed by an independent facility manager that qualifies as an "eligible independent contractor." We expect that our TRS lessee will qualify to be treated as a TRS for federal income tax purposes, but there can be no assurance that the IRS will not challenge the status of a TRS for federal income tax purposes or that a court would not sustain such a challenge. If the IRS were successful in disqualifying our TRS lessee from treatment as a TRS, we would fail to meet the asset tests applicable to REITs and a portion of our income would fail to qualify for the gross income tests. If we failed to meet either the asset or gross income tests, we would lose our REIT qualification for federal income tax purposes unless we qualified for application of statutory savings provisions.

Additionally, if the managers engaged by our TRS lessee do not qualify as "eligible independent contractors," we would fail to qualify as a REIT. Each of the managers that enter into a management contract with our TRS lessee must qualify as an "eligible independent contractor" under the REIT rules in order for the rent paid to us by our TRS lessee to be qualifying income for purposes of the REIT gross income tests. Among other requirements, in order to qualify as an eligible independent contractor, a manager must not own, directly or indirectly, more than 35% of our outstanding stock and no person or group of persons can own more than 35% of our outstanding stock and the ownership interests of the manager, taking into account certain ownership attribution rules. The ownership attribution rules that apply for purposes of these 35% thresholds are complex. Although we intend to monitor ownership of our stock by our managers and their owners, there can be no assurance that these ownership levels will not be exceeded.

In addition, in order to qualify as an "eligible independent contractor," among other requirements, a manager (or any related person) must be actively engaged in the trade or business of operating "qualified health care properties" for persons who are not related to us or our TRS lessee. Consequently, if a manager (or a related person) from whom we acquire a "qualified health care property" does not operate sufficient "qualified health care properties" for third parties, the manager will not qualify as an "eligible independent contractor." Under this scenario, we would either be required to contract with another third party manager who qualifies as an "eligible independent contractor," which could serve as a disincentive for the current operator to sell the property to us, or we would be unable to lease the property to our TRS lessee.

Our ability to lease certain of the seniors housing facilities we acquire to our TRS lessee will be limited by the ability of those seniors housing facilities to qualify as "qualified health care properties."

We may lease certain of the seniors housing facilities we acquire to our TRS lessee, which would contract with managers to manage the health care operations at those facilities. Our ability to use this TRS lessee structure may be limited by the ability of those seniors housing facilities to qualify as "qualified health care properties" and the ability of the managers who our TRS lessee engages to manage the "qualified health care properties" to qualify as "eligible independent contractors."

A "qualified health care property" includes any real property and any personal property that is, or is necessary or incidental to the use of, a hospital, nursing facility, ALF, congregate care facility, qualified continuing care facility or other licensed facility which extends medical or nursing or ancillary services to patients and which is operated by a provider of such services which is eligible for participation in the Medicare program with respect to such facilities. Some of the properties that we will acquire may not be treated as "qualified health care properties." To the extent a property does not constitute a "qualified health care property," we will be unable to use the TRS lessee structure with respect to that property.

Our leases must be respected as true leases for federal income tax purposes.

To qualify as a REIT, we must satisfy two gross income tests each year, under which specified percentages of our gross income must be qualifying income, such as "rents from real property." In order for rent on a lease to qualify as "rents from real property" for purposes of the gross income tests, the lease must be respected as a true lease for federal income tax purposes. If the IRS were to recharacterize our sale-leasebacks as financing arrangements or loans or were to recharacterize other leases as service contracts, joint ventures or some other type of arrangements, we could fail to qualify as a REIT.

Our charter limits the number of shares a person may own, which may discourage a takeover that could otherwise result in a premium price paid to stockholders.

Our charter, with certain exceptions, authorizes our board of directors to take such actions as are necessary and desirable to preserve our qualification as a REIT. To help us comply with the REIT ownership requirements of the Internal Revenue Code, among other purposes, our charter prohibits a person from directly or constructively owning more than 9.8% in value of the aggregate of the outstanding shares of our stock of any class or series or more than 9.8% in value or number of shares, whichever is more restrictive, of the aggregate of the outstanding shares of our common stock, unless exempted (prospectively or retroactively) by our board of directors. This restriction may have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might otherwise provide a premium price for holders of our shares of common stock.

Legislative or regulatory tax changes could adversely affect us or stockholders.

At any time, the federal income tax laws can change. Laws and rules governing REITs or the administrative interpretations of those laws may be amended. Any of those new laws or interpretations may take effect retroactively and could adversely affect us or stockholders.

If stockholders fail to meet the fiduciary and other standards under ERISA or the Internal Revenue Code as a result of an investment in our stock, stockholders could be subject to criminal and civil penalties.

Special considerations apply to the purchase of shares by employee benefit plans subject to the fiduciary rules of Title I of ERISA, including pension or profit sharing plans and entities that hold assets of such plans, or ERISA Plans, and plans and accounts that are not subject to ERISA, but are subject to the prohibited transaction rules of Section 4975 of the Internal Revenue Code, including Individual Retirement Accounts, or IRAs, Keogh Plans, and medical savings accounts (collectively, we refer to ERISA Plans and plans subject to Section 4975 of the Internal Revenue Code as "Benefit Plans"). If stockholders are investing the assets of any Benefit Plan, stockholders should consult with their own counsel and satisfy themselves that:

- their investment is consistent with the fiduciary obligations under ERISA and the Internal Revenue Code or any other applicable governing authority in the case of a government plan;
- their investment is made in accordance with the documents and instruments governing the Benefit Plan, including the Benefit Plan's investment policy;
- their investment satisfies the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA, if applicable and other applicable provisions of ERISA and the Internal Revenue Code;
- their investment will not impair the liquidity of the Benefit Plan;
- their investment will not unintentionally produce unrelated business taxable income for the Benefit Plan;
- stockholders will be able to value the assets of the Benefit Plan annually in accordance with the applicable provisions of ERISA and the Internal Revenue Code; and
- their investment will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code.

Fiduciaries may be held personally liable under ERISA for losses as a result of failure to satisfy the fiduciary standards of conduct and other applicable requirements of ERISA. In addition, if an investment in our shares constitutes a non-exempt prohibited transaction under ERISA or the Internal Revenue Code, the fiduciary of the Benefit Plan who authorized or directed the investment may be subject to imposition of excise taxes with respect to the amount invested and an IRA investment in our shares may lose its tax-exempt status.

Governmental plans, church plans and foreign plans that are not subject to ERISA or the prohibited transaction rules of the Internal Revenue Code, may be subject to similar restrictions under other laws. A plan fiduciary making an investment in our shares on behalf of such a plan should satisfy themselves that an investment in our shares satisfies both applicable law and is permitted by the governing plan documents.

We expect that our common stock qualifies as publicly offered securities such that investments in shares of our common stock will not result in our assets being deemed to constitute "plan assets" of any Benefit Plan investor. If, however, we were deemed to hold "plan assets" of Benefit Plan investors: (i) ERISA's fiduciary standards may apply to us and might materially affect our operations, and (ii) any transaction with us could be deemed a transaction with each Benefit Plan investor and may cause transactions into which we might enter in the ordinary course of business to constitute prohibited transactions under ERISA and/or Section 4975 of the Internal Revenue Code.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our healthcare real estate property investments are a part of our direct investments - net lease and direct investments - operating segments and are described under Item 1. "Business." The following table presents information with respect to our properties, excluding properties owned through unconsolidated joint ventures, as of December 31, 2020 (dollars in thousands):

Location	Square Feet	Units[1]	Ownership Interest	Type[2]	Lease Expiration Date[3]	Gross Carrying Value[4]	Borrowings
Direct Investments - Net Lease							
Bellevue, WA[5]	125,700	130	100%	CCRC	Mar-22	$ 36,101	$ 29,763
Bohemia, NY [6]	73,000	130	100%	ALF	Aug-29	32,223	23,214
Dana Point, CA[5]	275,106	181	100%	ILF	Mar-22	48,212	31,552
Hauppauge, NY [6]	84,000	119	100%	ALF	Aug-29	21,932	14,084
Islandia, NY [6]	192,000	218	100%	ALF	Aug-29	45,926	34,670
Jericho, NY [6]	55,000	105	100%	ALF	Aug-29	21,962	15,334
Kalamazoo, MI[5]	248,610	213	100%	CCRC	Mar-22	38,378	33,520
Oklahoma City, OK[5]	237,248	213	100%	CCRC	Mar-22	10,700	2,890
Palm Desert, CA[5]	258,020	246	100%	CCRC	Mar-22	47,235	19,901
Sarasota, FL[5]	497,454	280	100%	CCRC	Mar-22	82,233	72,029
Smyrna, GA [7]	26,500	63	100%	MCF	[7]	4,270	—
Direct Investments - Operating[8]							
Albany, OR	30,868	50	100%	ALF	NA	3,977	8,650
Alexandria, VA	209,354	209	97%	CCRC	NA	51,874	43,679
Apple Valley, CA	116,365	130	100%	ILF	NA	18,311	20,956
Auburn, CA	90,494	110	100%	ILF	NA	21,365	23,675
Austin, TX	102,885	130	100%	ILF	NA	25,872	26,068
Bakersfield, CA	106,640	126	100%	ILF	NA	24,156	16,543
Bangor, ME	111,000	117	100%	ILF	NA	26,620	21,130
Bellingham, WA	86,615	120	100%	ILF	NA	22,615	23,462
Churchville, NY	78,110	77	97%	ILF	NA	8,487	6,575
Clovis, CA	99,849	118	100%	ILF	NA	24,257	18,464
Columbia, MO	105,948	121	100%	ILF	NA	26,012	22,340
Corpus Christi, TX	118,671	132	100%	ILF	NA	16,958	18,278
Crystal Lake, IL	195,405	207	97%	ILF	NA	33,896	26,657
Denver, CO	176,263	216	97%	ALF	NA	21,252	20,189
East Amherst, NY	100,997	116	100%	ILF	NA	21,800	18,207
El Cajon, CA	77,930	105	100%	ILF	NA	18,013	20,655
El Paso, TX	95,517	121	100%	ILF	NA	16,837	11,998
Fairport, NY	126,927	120	100%	ILF	NA	21,956	16,260
Fenton, MO	95,007	114	100%	ILF	NA	25,625	24,162
Frisco, TX	228,471	202	97%	ILF	NA	41,620	18,770
Frisco, TX	45,130	51	97%	ALF	NA	13,725	—
Grand Junction, CO	124,174	144	100%	ILF	NA	29,686	19,148
Grand Junction, CO	79,778	103	100%	ILF	NA	14,583	9,796
Grapevine, TX	97,796	116	100%	ILF	NA	10,285	21,947
Greece, NY	51,978	78	97%	ALF	NA	7,566	—
Greece, NY	195,840	216	97%	ILF	NA	34,444	26,833
Groton, CT	119,474	162	100%	ILF	NA	16,181	17,292
Guilford, CT	142,136	131	100%	ILF	NA	11,104	23,877
Henrietta, NY	158,959	136	97%	ILF	NA	18,895	11,881
Independence, MO	161,517	200	97%	ILF	NA	16,678	15,051
Joliet, IL	117,357	114	100%	ILF	NA	17,725	14,675

Location	Square Feet	Units[1]	Ownership Interest	Type[2]	Lease Expiration Date[3]	Gross Carrying Value[4]	Borrowings
Kennewick, WA	105,268	120	100%	ILF	NA	20,921	7,543
Las Cruces, NM	113,874	131	100%	ILF	NA	18,058	10,992
Lees Summit, MO	122,917	126	100%	ILF	NA	22,847	26,716
Lodi, CA	96,251	119	100%	ILF	NA	25,044	19,792
Milford, OH	145,896	124	97%	ILF	NA	17,367	18,760
Milford, OH	19,500	40	97%	MCF	NA	6,303	—
Millbrook, NY	231,695	173	97%	ILF	NA	25,341	23,951
Normandy Park, WA	98,206	109	100%	ILF	NA	19,425	15,972
Palatine, IL	161,700	135	100%	ILF	NA	16,146	19,761
Penfield, NY	108,533	200	97%	ALF	NA	12,614	12,502
Penfield, NY	86,200	87	97%	ILF	NA	10,904	10,918
Plano, TX	106,868	115	100%	ILF	NA	10,859	15,811
Port Townsend, WA	106,585	120	100%	ALF	NA	23,731	16,537
Renton, WA	88,162	111	100%	ILF	NA	24,063	18,743
Rochester, NY	242,430	220	97%	ILF	NA	35,995	19,907
Rochester, NY	89,843	95	97%	ALF	NA	3,518	5,341
Roseburg, OR	44,750	63	100%	ALF	NA	12,933	12,236
Sandy, OR	72,619	84	100%	ALF	NA	19,080	13,956
Sandy, UT	103,449	116	100%	ILF	NA	15,921	15,523
Santa Barbara, CA	27,217	44	100%	MCF	NA	18,425	3,914
Santa Rosa, CA	120,553	116	100%	ILF	NA	33,289	27,457
St. Petersburg, FL	407,128	528	97%	CCRC	NA	33,480	39,375
Sun City West, AZ	200,553	195	100%	ILF	NA	24,920	25,230
Tacoma, WA	149,856	157	100%	ILF	NA	42,761	29,572
Tarboro, NC	187,150	178	97%	CCRC	NA	21,949	21,854
Tuckahoe, NY	110,000	126	97%	ALF	NA	33,477	35,846
Tucson, AZ	378,025	412	97%	ILF	NA	74,079	63,978
Victor, NY	228,501	182	97%	ILF	NA	36,216	27,174
Victor, NY	85,455	45	97%	ILF	NA	14,144	12,800
Wenatchee, WA	128,905	136	100%	ALF	NA	32,376	19,048
Undeveloped Land							
Bellevue, WA	—	—	100%	NA	NA	14,200	—
Kalamazoo, MI	—	—	100%	NA	NA	100	—
Crystal Lake, IL	—	—	97%	NA	NA	810	—
Millbrook, NY	—	—	97%	NA	NA	1,050	—
Penfield, NY	—	—	97%	NA	NA	534	—
Rochester, NY	—	—	97%	NA	NA	544	—
Subtotal	9,888,182	10,397				$ 1,774,971	$ 1,435,384
Held for Sale							
Leawood, KS	48,470	70	100%	ALF	NA	3,000	—
Spring Hill, KS	28,116	48	100%	ALF	NA	2,000	—
Total	9,964,768	10,515				$ 1,779,971	$ 1,435,384

(1) Represents rooms for ALFs and ILFs and beds for MCFs and SNFs, based on predominant type.
(2) Classification based on predominant services provided, but may include other services.
(3) Based on initial lease term of the operator for our net lease properties. Our seniors housing operating portfolio properties are owned and operated by us through management agreements with third parties, and as such, do not have property level tenant leases. For ILFs within our seniors housing operating portfolio, individual units' initial lease terms are generally less than one year with month-to-month renewal options.
(4) For direct investments and undeveloped land, gross carrying value is net of impairment, before accumulated depreciation as presented in our consolidated financial statements as of December 31, 2020 and excludes purchase price allocations related to net intangibles and other assets and liabilities. Refer to "Note 3, Operating Real Estate" of Part II, Item 8. "Financial Statements and Supplementary Data." For assets held for sale, gross carrying value represents net realizable value as presented on our consolidated balance sheets as of December 31, 2020.
(5) The lease for the properties operated by Watermark Retirement Communities ("Watermark") expires in March 2022. We may not be able to renew the lease with Watermark at the same rent, or at all, and it may also be difficult to find a replacement operator to operate these properties.
(6) Operator has failed to remit rent timely and comply with other contractual terms of its lease agreement, which resulted in a default under the operator's lease as of December 31, 2020.

(7) Operator is in default under its lease for failing to remit rental payments. As such, we consider there to be no additional term remaining on the lease. We continue to assess options for repositioning this property.
(8) Excludes one property in which we hold a Remainder Interest in eight condominium units.

As of December 31, 2020, none of our properties had a carrying value equal to or greater than 10% of our total assets. Refer to the "—Operators and Managers" of Part I, Item 1. "Business."

Item 3. Legal Proceedings

We may be involved in various litigation matters arising in the ordinary course of our business. Although we are unable to predict with certainty the eventual outcome of any litigation, in the opinion of management, any current legal proceedings are not expected to have a material adverse effect on our financial position or results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

We completed our Offering on January 19, 2016. All of the shares initially registered in the Offering were issued. There is no established public trading market for our shares of common stock. We do not expect that our shares will be listed for trading on a national securities exchange in the near future, if ever. Our board of directors will determine when, and if, to apply to have our shares of common stock listed for trading on a national securities exchange, subject to satisfying existing listing requirements. Our board of directors does not have a stated term for evaluating a listing on a national securities exchange as we believe setting a finite date for a possible, but uncertain future liquidity transaction may result in actions that are not necessarily in the best interest or within the expectations of our stockholders.

In order for members of FINRA and their associated persons to have participated in the offering and sale of our shares of common stock or to participate in any future offering of our shares of common stock, we are required, pursuant to FINRA Rule 2310, to disclose in each Annual Report distributed to our stockholders a per share estimated value of our shares of common stock, the method by which it was developed and the date of the data used to develop the estimated value. In addition, our Advisor must prepare annual statements of estimated share values to assist fiduciaries of retirement plans subject to the annual reporting requirements of ERISA in the preparation of their reports relating to an investment in our shares of common stock.

On December 21, 2020, upon the recommendation of the audit committee of our board of directors, our board of directors, including all of our independent directors, approved and established an estimated value per share of our common stock of $3.89 as of June 30, 2020, or the Valuation Date. The estimated value per share is based upon the estimated value of our assets less the estimated value of our liabilities, divided by the number of shares of our common stock outstanding, in each case as of the Valuation Date. The information used to generate the estimated value per share, including market information, investment- and property-level data and other information provided by third parties, was the most recent information practically available as of the Valuation Date.

As of the Valuation Date, (i) the estimated value of our healthcare real estate properties was $1.60 billion, compared with an aggregate cost, including purchase price, deferred costs and other assets, of $2.16 billion, (ii) the estimated value of our healthcare real estate investments held through unconsolidated joint ventures was $389.3 million, compared with an aggregate equity contribution, including subsequent capital contributions, of $511.1 million, (iii) the estimated value of our healthcare-related commercial real estate debt investment was $74.2 million, equal to the aggregate outstanding principal amount of $74.2 million, and (iv) the estimated value of our healthcare real estate liabilities was $1.40 billion, compared with an aggregate outstanding principal amount of $1.48 billion.

For additional information on the methodology used in calculating our estimated value per share as of June 30, 2020, refer to our Current Report on Form 8-K filed with the SEC on December 22, 2020.

It is currently anticipated that our next estimated value per share will be based upon our assets and liabilities as of June 30, 2021 and such value will be included in a Current Report on Form 8-K or such other filing with the SEC. We intend to continue to publish an updated estimated value per share annually.

Stockholders

As of March 18, 2021, we had 37,378 stockholders of record.

Distributions

We did not declare any distributions to stockholders during the year ended December 31, 2020. The following table summarizes distributions declared for the years ended December 31, 2019 and 2018 (dollars in thousands):

	Distributions[1]		
Period	Cash	DRP	Total
2019			
First Quarter	$ 2,991	$ 2,422	$ 5,413
Second Quarter	—	—	—
Third Quarter	—	—	—
Fourth Quarter	—	—	—
Total	$ 2,991	$ 2,422	$ 5,413
2018			
First Quarter	$ 7,684	$ 7,876	$ 15,560
Second Quarter	8,028	7,722	15,750
Third Quarter	8,374	7,567	15,941
Fourth Quarter	8,653	7,352	16,005
Total	$ 32,739	$ 30,517	$ 63,256

(1) Represents distributions declared for such period, even though such distributions are actually paid to stockholders the month following such period.

Distribution Reinvestment Plan

We adopted our DRP through which common stockholders may elect to reinvest an amount equal to the distributions declared on their shares in additional shares of our common stock in lieu of receiving cash distributions. The purchase price per share under our initial DRP was $9.50. In connection with its determination of the offering price for shares of our common stock in our follow-on offering, the board of directors determined that distributions may be reinvested in shares of our common stock at a price of $9.69 per share, which was approximately 95% of the offering price of $10.20 per share established for purposes of our follow-on offering. In April 2016 and effective through January 31, 2019, the board of directors determined that distributions may be reinvested in shares of the Company's common stock at a price equal to the most recent estimated value per share of the shares of common stock. The following table presents the price at which dividends were invested based on when the price became effective:

Effective Date	Estimated Value per Share	Valuation Date
April 2016	$ 8.63	12/31/2015
December 2016	9.10	6/30/2016
December 2017	8.50	6/30/2017
December 2018	7.10	6/30/2018
December 2019	6.25	6/30/2019
December 2020	3.89	6/30/2020

No selling commissions or dealer manager fees were paid on shares issued pursuant to our DRP. Our board of directors may amend or terminate our DRP for any reason upon ten-days' notice to participants, except that we may not amend our DRP to eliminate a participant's ability to withdraw from our DRP.

We registered an additional 30.0 million shares to be offered pursuant to our DRP beyond the completion of our Offering, although we suspended payment of monthly distributions to stockholders on February 1, 2019.

For the period from April 5, 2013 through December 31, 2020, we issued 25.7 million shares totaling $232.6 million of gross offering proceeds pursuant to our DRP.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We adopted our Share Repurchase Program effective August 7, 2012 which enabled stockholders to sell their shares to us in limited circumstances. On April 7, 2020, our board of directors determined to suspend all repurchases under our Share Repurchase Program effective April 30, 2020 in order to preserve capital and liquidity.

We are not obligated to repurchase shares under our Share Repurchase Program when our Share Repurchase Program is in effect. Our board of directors may, in its sole discretion, amend, suspend or terminate our Share Repurchase Program at any time provided that any amendment that adversely affects the rights or obligations of a participant (as determined in the sole discretion of our board of directors) will only take effect upon ten days' prior written notice except that changes in the number of shares that can be repurchased during any calendar year will take effect only upon ten business days' prior written notice. In addition, our Share Repurchase Program will terminate in the event a secondary market develops for our shares or if our shares are listed on a national exchange or included for quotation in a national securities market.

For the year ended December 31, 2020, we repurchased shares of our common stock as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan or Program
January 1 to January 31	—	—	—	
February 1 to February 28	319,700	$ 6.25	319,700	(1)
March 1 to March 31	—	—	—	
April 1 to April 30	—	—	—	
May 1 to May 31	—	—	—	
June 1 to June 30	—	—	—	
July 1 to July 30	—	—	—	
August 1 to August 31	—	—	—	
September 1 to September 30	—	—	—	
October 1 to October 31	—	—	—	
November 1 to November 30	11,321	7.10	11,321	(2)
December 1to December 31				
Total	331,021		331,021	

(1) In October 2018, our board of directors approved an amended and restated Share Repurchase Program, under which we only repurchased shares in connection with the death or qualifying disability of a stockholder at a price equal to the lesser of the price paid for the shares, as adjusted for any stock dividends, combinations, splits, recapitalizations or any similar transactions, or the most recently published estimated value per share.

(2) Shares qualified for repurchase prior to the suspension of the Share Repurchase Program effective April 30, 2020.

Unregistered Sales of Equity Securities

On October 31, 2020 and November 30, 2020, we issued 133,333 shares of common stock at $6.25 per share, respectively, to our Advisor as part of its asset management fee, pursuant to our advisory agreement. On December 31, 2020, we issued 133,333 shares of common stock at $3.89 per share to our Advisor as part of its asset management fee, pursuant to our advisory agreement. These shares were issued pursuant to an exemption from registration under Section 4(a)(2) of the Securities Act for transactions not involving a public offering.

Item 6. Selected Financial Data

The information below should be read in conjunction with "Forward-Looking Statements" Part I, Item 1A. "Risk Factors," Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes thereto included in Part II, Item 8. "Financial Statements and Supplementary Data," included in this Annual Report on Form 10-K.

	Year Ended December 31,				
	2020	2019	2018	2017	2016
	(Dollars in thousands, except per share data)				
Statements of Operations Data:					
Resident fee income	$ 118,126	$ 130,135	$ 129,855	$ 127,180	$ 102,915
Rental income	157,024	161,084	159,481	155,700	132,108
Interest income from debt investments	7,674	7,703	7,706	7,696	17,720
Real estate properties - operating expenses	184,178	181,214	188,761	163,837	129,954
Impairment loss	165,968	27,554	36,277	5,000	—
Total expenses	514,883	381,325	441,934	404,149	334,887
Equity in earnings (losses) of unconsolidated ventures	(34,466)	(3,545)	(33,517)	(35,314)	(62,175)
Net income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	(261,458)	(76,960)	(151,578)	(137,771)	(141,275)
Net income (loss) per share of common stock, basic/diluted	$ (1.38)	$ (0.41)	$ (0.81)	$ (0.74)	$ (0.77)
Distributions declared per share of common stock	$ —	$ 0.03	$ 0.34	$ 0.68	$ 0.68

	As of December 31,				
	2020	2019	2018	2017	2016
	(Dollars in thousands)				
Balance Sheets Data:					
Cash and cash equivalents	$ 65,995	$ 41,884	$ 73,811	$ 50,046	$ 223,102
Operating real estate, net	1,483,930	1,700,218	1,778,914	1,852,428	1,571,980
Investments in unconsolidated ventures	229,173	268,894	264,319	325,582	360,534
Real estate debt investments, net	55,864	55,468	58,600	74,650	74,558
Total assets	1,918,436	2,141,207	2,264,416	2,998,753	2,958,209
Mortgage and other notes payable, net	1,416,871	1,431,922	1,466,349	1,487,480	1,200,982
Due to related party	8,318	5,780	5,675	1,046	219
Total liabilities	1,506,374	1,473,703	1,520,042	2,053,954	1,766,235
Total equity	412,062	667,504	744,374	944,799	1,191,974

	Year Ended December 31,				
	2020	2019	2018	2017	2016
	(Dollars in thousands)				
Other Data:					
Cash flow provided by (used in):					
Operating activities	$ 31,018	$ 25,298	$ 27,986	$ 10,129	$ 5,376
Investing activities	(8,415)	(4,287)	73,948	(314,394)	(60,355)
Financing activities	12,147	(56,699)	(87,914)	132,861	(62,970)

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our consolidated financial statements and notes thereto included in Part II, Item 8. "Financial Statements and Supplementary Data" and the risk factors in Part I, Item 1A. "Risk Factors." References to "we," "us," "our," or "NorthStar Healthcare" refer to NorthStar Healthcare Income, Inc. and its subsidiaries unless the context specifically requires otherwise.

Introduction

We have invested in independent living facilities, or ILFs, assisted living facilities, or ALFs, memory care facilities, or MCFs, continuing care retirement communities, or CCRCs, which we collectively refer to as seniors housing facilities, skilled nursing facilities, or SNFs, medical office buildings, or MOBs, and hospitals.

Our primary investment segments are as follows:

- Direct Investments - Net Lease - Healthcare properties operated under net leases with an operator.
- Direct Investments - Operating - Healthcare properties operated pursuant to management agreements with healthcare managers.
- Unconsolidated Investments - Healthcare joint ventures, including properties operated under net leases with operators or pursuant to management agreements with healthcare managers, in which we own a minority interest.
- Debt and Securities Investments - Mortgage loans or mezzanine loans to owners of healthcare real estate and commercial mortgage backed securities, or CMBS, backed primarily by loans secured by healthcare properties.

For information regarding our investments as of December 31, 2020, refer to "Our Investments" included in Part I, Item 1. "Business."

Significant Developments

COVID-19

Beginning in March 2020, the coronavirus 2019, or COVID-19, pandemic began to impact NorthStar Healthcare and its communities. As residents of our communities are older and often suffer from chronic medical conditions, they are at disproportionately higher risk of hospitalization and adverse outcomes if they contract COVID-19. Our managers and operators have reported that the vast majority of communities in our direct and unconsolidated investments have experienced confirmed cases of COVID-19 amongst residents or staff. In some instances, confirmed cases of COVID-19 have resulted in deaths of residents and staff at the communities within our direct and unconsolidated investments. The incidence of confirmed cases in our portfolio may continue and could accelerate depending on the duration, scope and depth of the COVID-19 pandemic.

Our first priority continues to be the health and safety of the residents and staff at our communities and we remain focused on supporting our managers and operators. At the same time, we are actively managing capital needs and liquidity to mitigate the financial impact of COVID-19 on our business and preserve long-term value for our stockholders.

Operating Performance

The COVID-19 pandemic has affected the fundamentals of our business in the following ways:

- Our occupancy across our direct investments was 71.8% as of March 18, 2021, a 9.4% decline since March 31, 2020. We anticipate that our occupancy will continue to be impacted by restrictions on admissions and limited inquiries and tours, which have significantly decreased the number of move-ins at our direct investments. We may also continue to experience increased resident illnesses and move-outs due to the pandemic. Our direct operating investments have not yet experienced any significant issues collecting rents or other fees from residents as a result of COVID-19.
- Operating costs have continued to rise as operators take action to protect residents and staff. In particular, operators are paying a premium for labor in many markets, particularly in communities that have been severely impacted by COVID-19. In addition, personal protective equipment continues to be costly to source during the pandemic. For the year ended December 31, 2020, additional operating expenses incurred as a result of the COVID-19 pandemic totaled approximately $9.9 million for the communities in our direct operating investments. We expect these expenses to continue to be incurred.
- To mitigate the negative financial impact of the COVID-19, we applied for grants under the Provider Relief Fund administered by the U.S Department of Health & Human Services, or DHHS. During the year ended December 31,

2020, we recognized $1.8 million of COVID-19 provider relief grant income. Provided that we attest to and comply with certain terms and conditions of the grants, we will not be required to repay these grants in the future.

- During the year ended December 31, 2020, we recorded impairment losses totaling $166.0 million on our direct investments. Further, the underlying joint ventures of our unconsolidated ventures have recorded impairments, of which our proportionate share totaled $38.2 million for the year ended December 31, 2020. Impairment losses have resulted from lower projected future cash flows and market values as a result of the economic effects of COVID-19, as well as shortened holding period assumptions.

Liquidity

We have taken a number of steps to improve liquidity and preserve flexibility in light of the uncertainty surrounding the financial impact of the COVID-19 pandemic.

- In April 2020, we borrowed $35.0 million under our revolving line of credit from an affiliate of our Sponsor, or the Sponsor Line.
- Effective April 30, 2020, we suspended all repurchases of shares under our share repurchase program, or our Share Repurchase Program.
- Effective May 1, 2020, we entered into forbearance agreements and deferred 90 days of contractual debt service for borrowings on properties within the Aqua, Fountains, Arbors, Rochester and Winterfell portfolios. The aggregate outstanding principal amount of these borrowings totaled $1.3 billion as of December 31, 2020. The deferred debt service must be repaid over the 12 months following the forbearance period with no additional interest or penalties incurred, subject to satisfaction of certain conditions. As of March 18, 2021, deferred debt service totaled $4.9 million.
- Further, effective July 1, 2020, we entered into a forbearance agreement to defer up to 90 days of interest payments and 120 days of principal payments and temporarily waive financial covenants under the mortgage note for a mortgage note payable on a property within the Rochester portfolio. The outstanding principal amount of the mortgage note payable totaled $19.9 million as of December 31, 2020. The deferred debt service must be repaid over the 12 months following the forbearance period with no additional interest or penalties incurred, subject to satisfaction of certain conditions. As of March 18, 2021, deferred debt service totaled $0.4 million.
- At the onset of the pandemic, we limited capital expenditures of our operating real estate to life safety and essential projects and have now begun selectively approving additional improvements.

Continuing Impact

We expect that the effects of the pandemic will continue to materially impact revenues, expenses and cash flow generated by both our operating and net lease direct investments, as well as our unconsolidated investments. At this time, as the extent and duration of the increasingly broad effects of COVID-19 on the global economy remain unclear, it is difficult to assess and estimate the impact on our results of operations with any meaningful precision. Accordingly, any estimates of the effects of COVID-19 as reflected and/or discussed are based upon our best estimates using information known to us as of the date of this Annual Report on Form 10-K, and such estimates may change in the future, the effects of which could be material.

The future impact of the COVID-19 pandemic on our operational and financial performance will depend on a variety of factors, which may differ considerably across regions and fluctuate over time. These factors include, but are not limited to, the following:

- the availability and effective distribution of vaccines for the virus;
- the rate of acceptance of available vaccines for not only residents and staff at our communities, but also the general public; and
- the extent and timing of government restrictions being scaled back and lifted;

The communities of our direct investments and unconsolidated investments have begun hosting clinics to administer the COVID-19 vaccine. Within our direct investments, the rate of acceptance amongst residents has exceeded 90% and our managers and operators continue educate and encourage participation amongst their staff. Decreases in infection and transmission rates within our communities will help to reduce preventative operating costs that continue to be incurred. Further, we are encouraged by recent guidance from state and local governments and the resumption of normal business operations in many municipalities. We continue to see demand and lead generation for our communities and remain optimistic on the long-term outlook for the seniors housing industry.

Performance summary for the year ended December 31, 2020 as compared to the year ended December 31, 2019

On a same store basis, rental and resident fee income, net of property operating expenses, of our direct operating investments decreased to $68.0 million for the year ended December 31, 2020 as compared to $76.6 million for the year ended December 31, 2019. This was due to lower resident fee and rental income resulting from lower occupancy due to the aforementioned effects of COVID-19. Additionally, we incurred $9.9 million of COVID-19 related expenses for the year ended December 31, 2020, which were partially offset by $1.8 million of COVID-19 provider relief grant income.

During the year ended December 31, 2020, our direct operating investments' weighted average resident occupancy was 77.4% as compared to 81.6% for the year ended December 31, 2019.

- Our operating portfolios managed by Watermark Retirement Communities had an overall average occupancy of 77.6% for the year ended December 31, 2020, a decrease from 83.5% for the year ended December 31, 2019.
- Our Winterfell portfolio's average occupancy was 76.6% for the year ended December 31, 2020, a decrease from 79.8% for the year ended December 31, 2019.

Overall, our unconsolidated investment portfolios experienced similar operational challenges presented by the COVID-19 pandemic as our direct operating investments, which resulted in a decrease in equity in earnings for the year ended December 31, 2020 as compared to the year ended December 31, 2019.

Distributions from our unconsolidated investments continued to be limited during the year ended December 31, 2020 by reinvestment and development in the Trilogy and Diversified US/UK (formerly Griffin-American) joint ventures and working capital needs for the Espresso joint venture, which negatively impacted our liquidity position. During the year ended December 31, 2020 we received distributions from our unconsolidated investments totaling $5.9 million as compared $35.9 million during the year ended December 31, 2019. Distributions received during the year ended December 31, 2019 included our proportionate share of net sales proceeds from assets within the Diversified US/UK (formerly Griffin-American) and Envoy joint ventures, totaling $16.9 million and $4.3 million, respectively. At this time, we anticipate the impact of COVID-19 will continue to impact the ability of our unconsolidated ventures to make distributions to partners in the future.

For additional information on financial results, refer to "—Results of Operations."

Espresso Mezzanine Loan Debt Investment

Effective December 31, 2020, we executed an amended and restated loan agreement with the borrower of our mezzanine loan debt investment. The terms set forth under the amended loan agreement include:

- a partial principal repayment totaling $5.0 million upon execution, which was received in January 2021, as well as the remittance of modification fees upon certain milestones;
- an interest rate of 14.0%, effective February 2021, as well as the accrual of additional payment-in-kind, or PIK, interest based on outstanding principal balance thresholds;
- periodic principal repayments from the borrower's available cash flow; and
- an extension of the loan's maturity through January 2022.

Recent Developments

The following is a discussion of material events which have occurred subsequent to December 31, 2020 through March 18, 2021.

Borrowings

In January 2021, we refinanced an existing $18.7 million note payable, collateralized by a property within the Aqua portfolio, with a $26.0 million mortgage note payable. The new mortgage note carries a fixed interest rate of 3.0% through February 2024 and has an initial maturity date of February 2026.

In January 2021, we extended the maturity date of note payable for a property within the Aqua portfolio from February 2021 to April 2021. The outstanding principal amount of the mortgage note payable was $20.2 million as of December 31, 2020.

Real Estate Debt Investments

From January 1, 2021 through March 18, 2021, we have received principal repayments on our mezzanine loan debt investment which total $24.9 million. The borrower funded these principal repayments through net proceeds generated from the sale of underlying collateral and available operating cash flow.

COVID-19 Provider Relief Funding

In January 2021, the Company's direct operating investments received $6.8 million in grants from DHHS under the Provider Relief Fund. These grants are intended to mitigate the negative financial impact of the COVID-19 pandemic as reimbursements for expenses incurred to prevent, prepare for and respond to COVID-19 and lost revenues attributable to COVID-19 by our direct operating investments. Provided that we attest to and comply with certain terms and conditions of the grants, we will not be required to repay these grants in the future.

Outlook and Recent Trends

COVID-19

The healthcare real estate sector, which includes hospitals, skilled nursing, assisted living, and congregate living communities, has been significantly impacted by the effects of COVID-19, while continuing to operate during the pandemic. The Centers for Disease Control and Prevention has stated that older adults are at a higher risk for serious illness from COVID-19 and healthcare communities have continued to care for those most affected by COVID-19 amidst challenges sourcing materials and resources. Operating results have been, and will continue to be impacted to the extent that the virus' continued spread reduces occupancy, results in quarantines for residents or bans on admissions, reduces the ability to continue to obtain necessary goods and provide adequate staffing or increases the cost burdens faced by operators. This may result in sustained industry declines in resident occupancy and operating cash flows, compressed operating margins and a stressed market affecting healthcare real estate values in general.

During the fourth quarter of 2020, the seniors housing industry occupancy averaged 80.7% (source: The National Investment Centers for Seniors Housing & Care, or NIC). Industry occupancy averages have declined three straight quarters since the first quarter of 2020 as move-in/move-out trends continue to be negatively impacted by the pandemic. Further declines in average industry occupancy may continue as the effects of the pandemic persist in 2021.

The extent to which COVID-19 continues to impact the healthcare real estate sector will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including, but not limited to, the duration of the outbreak, the availability and ability to distribute effective vaccines, new information that may emerge concerning the severity of COVID-19

and the actions taken to contain COVID-19 or treat its impact. Guidelines for easing social distancing will further impact how the industry will resume and trend back to operating without restrictions. The healthcare sector is expected to be the last to resume normal operations, including allowing normal visitation, touring of the communities, in an effort to protect the most vulnerable. Federal and state government plans may shift through the coming months as guidelines are very specific and may be unpredictable if the outbreak surges again.

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act, was signed into law. The CARES Act provides $100 billion in grants to eligible health care providers for health care related expenses or lost revenues that are attributable to COVID-19. Beginning September 2020, licensed assisted living providers became eligible to apply for funding under the Provider Relief Fund Phase 2 General Distribution allocation.

In April 2020, the Centers for Medicare and Medicaid Services, or CMS, announced the distribution of $30 billion in funds to Medicare providers based upon their 2019 Medicare fee for service revenues. In addition, the DHHS authorized $20 billion of additional funding for providers. While these funds most significantly impact SNF operators, Congress continues to consider further legislative action in response to the COVID-19 pandemic.

Operators continue to evaluate their options for financial assistance, such as utilizing programs within the CARES Act as well as other state and local government relief programs. However, the ultimate impact of such relief, including the extent to which relief funds from such programs will provide meaningful support for lost revenue and increasing costs, is uncertain.

Healthcare Real Estate

The healthcare industry is one of the largest segments of the U.S. economy (approximately 18% of the gross domestic product, or GDP). Total U.S. healthcare expenditure in the sector is about $4 trillion, with hospital care, physician services and prescription drugs accounting for 60% of that total. One of the most prevalent trends that will impact the healthcare industry over the next 20+ years is the aging of the U.S. population, primarily as baby boomers (born between 1946-64) reach 75 years of age and older. According to the U.S. Census Bureau, from 2018 through 2060, seniors aged 75 and older are projected to more than double in size, reaching just over 50 million people (+130% increase from 2018). Additionally, with an increase in the elderly population, healthcare expenditure will continue to outgrow the broader U.S. economy, which continues to push up its share of total U.S. GDP. Healthcare spending in the United States is projected to grow at an average rate of 5.5% over the next 10 years and increase from $3.6 trillion in 2018 to $6.0 trillion in 2027 (source: CMS). As healthcare costs increase, insurers, individuals and the U.S. government are pursuing lower cost options for healthcare. Seniors housing facilities and SNFs are generally more cost effective than higher acuity healthcare settings, such as short or long-term acute-care hospitals, in-patient rehabilitation facilities and other post-acute care settings.

Seniors Housing

Notwithstanding the demographics and forecasted spending growth, economic and healthcare market uncertainty, development, and competitive pressures have had a negative impact on the seniors housing industry, weakening the market's fundamentals and ultimately reducing operating income for tenants and operators.

Supply growth, which has outpaced demand, has challenged the seniors housing industry over the past several years. New inventory, coupled with the average move-in age of seniors housing residents increasing over time, has resulted in declining occupancy for the industry on average. Further, to remain competitive with the new supply, owners and operators of older facilities have increased capital expenditure spending, which in turn has negatively affected cash flow. While off its peak of 7.7% in the fourth quarter of 2017, seniors housing under construction as a share of inventory was 5.5% in the fourth quarter of 2020 (source: NIC). It is expected that development starts will be limited in the short-term future, in part due to the disruption caused by the COVID-19 pandemic, however, as demographics and demand continues to increase long-term, supply growth will follow.

As a result of increased supply, the seniors housing industry has experienced competitive pressures that have limited rent growth over the past several years. Average market rent growth reached its peak of 4.2% in 2016 and has since declined to 1.4% as of the fourth quarter of 2020, with pressures caused by the COVID-19 pandemic contributing to the decline (source: NIC). Limited future supply growth and reestablishing normal operations in a post-pandemic environment will be factors in achieving near and long term revenue growth for the industry.

Further, prior to the COVID-19 pandemic, a tight labor market and competition to attract quality staff had resulted in increased wages and personnel costs, resulting in lower margins. The COVID-19 pandemic has further exacerbated operating expense growth, with increased staffing needs and personal protective equipment requirements. While it is expected that the increases in expenses to combat the effects of the COVID-19 pandemic will be temporary, wage and benefits increases may continue to impact the industry's margins in the future, as labor represents 60% of the seniors housing industry's operating expenses (source: Green Street).

Skilled Nursing

While generally impacted by the same conditions as the seniors housing industry, SNF operators are currently facing various operational, reimbursement, legal and regulatory challenges. Increased wages and labor costs, narrowing of referral networks, shorter lengths of stay, staffing shortages, expenses associated with increased government investigations, enforcement proceedings and legal actions related to professional and general liability claims have contributed to compressed margins and declines in cash flow.

SNF operators receive a majority of their revenues from governmental payors, primarily Medicare and Medicaid. With a dependence on government reimbursement as the primary source of their revenues, SNF operators are also subject to intensified efforts to impose pricing pressures and more stringent cost controls, through value-based payments, managed care and similar programs, which could result in lower daily reimbursement rates, lower lease coverage, decreased occupancy and declining operating margins, liquidity and financial conditions.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP, which requires the use of estimates and assumptions that involve the exercise of judgment and that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Certain accounting policies are considered to be critical accounting policies. Critical accounting policies are those that are most important to the portrayal of our financial condition and results of operations and require management's subjective and complex judgments, and for which the impact of changes in estimates and assumptions could have a material effect on our financial statements. We believe that all of the decisions and assessments upon which our financial statements are based were reasonable at the time made, based upon information available to us at that time.

For a summary of our accounting policies, refer to Note 2, "Summary of Significant Accounting Policies" in our accompanying consolidated financial statements included in Part II, Item 8. "Financial Statements and Supplementary Data."

We highlight below accounting estimates that we believe are critical based on the nature of our operations and/or require significant management judgment and assumptions.

- Impairments, including operating real estate and goodwill.

Our investments are reviewed on a quarterly basis, or more frequently as necessary, to assess whether there are any indicators that the value of our investments may be impaired or that carrying value may not be recoverable. In conducting these reviews, we consider macroeconomic factors, including healthcare sector conditions, together with asset and market specific circumstance, among other factors. To the extent an impairment has occurred, the loss will be measured as compared to the carrying amount of the investment.

We have considered the potential impact of the COVID-19 pandemic on the future net operating income of our healthcare real estate held for investment as an indicator of impairment. Fair values were estimated based upon the income capitalization approach, using net operating income for each property and applying indicative capitalization and discount rates.

We perform an annual impairment test for goodwill and evaluate the recoverability whenever events or changes in circumstances indicate that the carrying value of goodwill may not be fully recoverable. In making such assessment, qualitative factors are used to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If the estimated fair value of the reporting unit is less than its carrying value, then an impairment charge is recorded.

Impairment

During the year ended December 31, 2020, we recorded impairment losses totaling $166.0 million on our operating real estate and held for sale investments. Impairment losses recorded during the year ended December 31, 2020 include the following:

- Winterfell Portfolio. Impairment losses totaled $84.9 million for nine independent living facilities which have lower projected future cash flows as a result of sustained declines in occupancy and decreased operating margins.
- Aqua Portfolio. Impairment losses totaled $19.9 million for a facility that has sustained poor performance, declines in occupancy and has been significantly impacted by the effects of COVID-19.
- Fountains Portfolio. Impairment losses totaled $42.7 million for five facilities that have been significantly impacted by the effects of COVID-19, resulting in lower projected future cash flows.

- Rochester Portfolio. Impairment losses totaled $12.5 million for two facilities that have sustained poor performance, declines in occupancy and decreased operating margins.
- Avamere Portfolio. Impairment losses totaled $4.2 million for a facility that has sustained poor performance, declines in occupancy and decreased operating margins.
- Assets held for sale or sold. Impairment losses totaled $1.8 million to reflect net realizable values for properties sold or designated as held for sale during the year ended December 31, 2020.

During the year ended December 31, 2020, we tested our goodwill for impairment. The accounting guidance under Accounting Standards Codification 350-20 requires that any assets in the reporting unit of goodwill that are subject to impairment testing be evaluated prior to testing the goodwill of the reporting unit for impairment. As a result of impairment recorded on the operating real estate of the goodwill reporting unit during the year ended December 31, 2020, we concluded that the fair value of its goodwill reporting unit remains greater than its carrying value and have not impaired goodwill as of December 31, 2020. We utilized future net cash flows expected to be generated by the properties in a discounted cash flow analysis using terminal capitalization rates ranging from 6.50% to 7.75% and discount rates ranging from 7.75% to 9.25%.

As of December 31, 2019, we had accumulated impairment losses of $49.7 million for operating real estate that we continue to hold as of December 31, 2020. Refer to our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 for additional information regarding impairment recorded in prior years.

During the year ended December 31, 2020, we did not impair any of our investments in unconsolidated ventures, however, our underlying joint ventures have recorded impairments and reserves on properties in their respective portfolios, which have been recognized through our equity in earnings (losses), of which our proportionate share totaled $38.2 million. Our proportionate share of impairment losses recorded by our underlying joint ventures during the year ended December 31, 2020 include the following:

- Diversified US/UK (formerly Griffin-American) Portfolio. Impairment losses totaled $34.4 million. Operating real estate impairment resulted from shortened holding period assumptions and lower projected future cash flows and market values as a result of the economic effects of COVID-19.
- Eclipse Portfolio. Impairment losses totaled $3.2 million. Operating real estate impairment resulted from lower projected market values as a result of the economic effects of COVID-19.
- Trilogy Portfolio. Impairment losses totaled $0.6 million.

Due to uncertainties over the extent and duration of the economic fallout from the COVID-19 pandemic, at this time, it is difficult to assess and estimate the further economic effects of COVID-19 with any meaningful precision. As the actual impact of COVID-19 will depend on many factors beyond our control and knowledge, the resulting effect on impairment of our operating real estate, investments in unconsolidated ventures and goodwill may materially differ from our current expectations and further impairment charges may be recorded in the future.

Results of Operations

Impact of COVID-19

Efforts to address the COVID-19 pandemic continue to significantly impact economic and financial markets globally and across all facets of industries, including real estate. Specifically, our healthcare real estate business and investments have experienced a myriad of challenges, including, but not limited to, limited admissions at facilities, resulting in declines in resident occupancy and operating cash flows, increases in cost burdens faced by operators, lease concessions sought by tenants, and a stressed market affecting real estate values in general.

Most of these COVID-19 effects on our business began significantly impacting our results of operations during the three months ended June 30, 2020, and we anticipate the significant effects to continue in future periods. If a general economic downturn resulting from efforts to contain COVID-19 persists over an extended period of time, this could have a prolonged negative impact on our financial condition and results of operations. We continue to monitor the progression of COVID-19 and its effects on our results of operations and recoverability in value across our assets as conditions change.

Comparison of the Year Ended December 31, 2020 to December 31, 2019 (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2020	2019	Amount	%
Property and other revenues				
Resident fee income	$ 118,126	$ 130,135	$ (12,009)	(9.2)%
Rental income	157,024	161,084	(4,060)	(2.5)%
Other revenue	198	1,959	(1,761)	(89.9)%
Total property and other revenues	275,348	293,178	(17,830)	(6.1)%
Interest income				
Interest income on debt investments	7,674	7,703	(29)	(0.4)%
Expenses				
Real estate properties - operating expenses	184,178	181,214	2,964	1.6 %
Interest expense	65,991	68,896	(2,905)	(4.2)%
Transaction costs	65	122	(57)	(46.7)%
Asset management and other fees-related party	17,170	19,789	(2,619)	(13.2)%
General and administrative expenses	16,505	12,761	3,744	29.3 %
Depreciation and amortization	65,006	70,989	(5,983)	(8.4)%
Impairment loss	165,968	27,554	138,414	502.3 %
Total expenses	514,883	381,325	133,558	35.0 %
Other income	1,840	—	1,840	100.0 %
Realized gain (loss) on investments and other	302	6,314	(6,012)	(95.2)%
Equity in earnings (losses) of unconsolidated ventures	(34,466)	(3,545)	(30,921)	872.2 %
Income tax expense	(53)	(75)	22	(29.3)%
Net income (loss)	$ (264,238)	$ (77,750)	$ (186,488)	239.9 %

Resident Fee Income

The following table presents resident fee income generated by our direct investments (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2020	2019	Amount	%
Same store ALF/MCF/CCRC properties (placed in service - 2018 and prior)	$ 118,126	$ 130,135	$ (12,009)	(9.2)%

On a same store basis, resident fee income decreased $12.0 million primarily as a result of lower occupancy at our ALFs, MCFs and CCRCs during the year ended December 31, 2020 and non-recurring income recognized in the Fountains portfolio during the year ended December 31, 2019. The effects of the COVID-19 pandemic resulted in limited inquiries and tours, which have significantly decreased the number of move-ins at our facilities, along with an increased number of move-outs.

Rental Income

The following table presents rental income generated by our direct investments (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2020	2019	Amount	%
Same store ILF properties (placed in service - 2018 and prior)	$ 124,125	$ 127,660	$ (3,535)	(2.8)%
Same store net lease properties (placed in service - 2018 and prior)	32,899	32,826	73	0.2 %
Properties sold	—	598	(598)	(100.0)%
Total rental income	$ 157,024	$ 161,084	$ (4,060)	(2.5)%

Rental income decreased $4.1 million primarily due to overall decreases in occupancy at our ILFs and the sale of a net lease property during 2019. The effects of the COVID-19 pandemic resulted in limited inquiries and tours, which have significantly decreased the number of move-ins at our facilities, along with an increased number of move-outs.

Effective June 1, 2020, we granted a lease concession to the operator of our Fountains net lease portfolio. The concession allowed the operator to defer a portion of contractual rent payments for a 90-day period, with full contractual rent to be repaid over the 12 months following the concession period. The amount of the deferred rental payments under the lease concession totaled $3.9 million. The lease concession period ended on August 31, 2020 and the operator has resumed remitting contractual rent payments, including amounts related to deferred rent granted under the lease concession. As there were no substantive changes to the original lease or changes in total cash flows, the concession was not treated as a lease modification and we continued to recognize lease income and receivables under the original terms of the lease.

Other Revenue

Other revenue decreased primarily as a result of non-recurring service provider incentives recognized by the Winterfell portfolio during 2019, as well as lower interest earned on uninvested cash during the year ended December 31, 2020.

Interest Income on Debt Investments

Interest income generated by our one mezzanine loan debt investment during the year ended December 31, 2020 totaled $7.7 million, which was comparable to interest income recognized during year ended December 31, 2019.

Real Estate Properties - Operating Expenses

The following table presents property operating expenses incurred by our direct investments (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2020	2019	Amount	%
Same store (placed in service - 2018 and prior)				
ALF/MCF/CCRC properties	$ 91,062	$ 94,678	$ (3,616)	(3.8)%
ILF properties	83,172	86,526	(3,354)	(3.9)%
Net lease properties	13	10	3	30.0 %
COVID-19 related expenses	9,931	—	9,931	NA
Total real estate properties - operating expenses	$ 184,178	$ 181,214	$ 2,964	1.6 %

Overall, operating expenses increased $3.0 million for the year ended December 31, 2020, as compared to the year ended December 31, 2019. The increase is primarily attributable COVID-19 related expenses, which totaled $9.9 million for the year ended December 31, 2020. These expenses include personal protective equipment for residents and staff as well as wages for increased staffing and paying a premium for labor in many markets, particularly in communities that have been severely impacted by COVID-19.

Excluding COVID-19 related expenses, operating expenses decreased $7.0 million for the year ended December 31, 2020 as compared to the year ended December 31, 2019, as lower census in our direct investment operating portfolio resulted in lower utilities and food and beverage costs. Additionally, repairs and maintenance expense was lower year over year, as operators minimized all non-essential projects across our direct investment operating portfolio in response to COVID-19.

Interest Expense

The following table presents interest expense incurred on our borrowings (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2020	2019	Amount	%
Same store (placed in service - 2018 and prior)				
ALF/MCF/CCRC properties	$ 19,059	$ 20,620	$ (1,561)	(7.6)%
ILF properties	34,151	35,740	(1,589)	(4.4)%
Net lease properties	11,832	12,187	(355)	(2.9)%
Properties sold	—	247	(247)	(100.0)%
Corporate	949	102	847	830.4 %
Total interest expense	$ 65,991	$ 68,896	$ (2,905)	(4.2)%

Interest expense decreased $2.9 million as a result of lower mortgage notes balances during the year ended December 31, 2020 due to continued principal amortization and loan payoffs, in addition to lower London Interbank Offered Rate ("LIBOR"), which has reduced interest expense on our floating rate debt. Interest expense was recognized and accrued for borrowings with

deferred payments under forbearance agreements. For the year ended December 31, 2020, corporate interest expense represents interest resulting from the borrowings under our Sponsor Line.

Transaction Costs

Transaction costs for the year ended December 31, 2020 were primarily expenses associated with sales transactions no longer being pursued. Transaction costs for the year ended December 31, 2019 were primarily residual costs incurred for the Rochester operator license transfer.

Asset Management and Other Fees - Related Party

Our Advisor receives a monthly asset management fee equal to one-twelfth of 1.5% of our most recently published aggregate estimated net asset value. Asset management and other fees - related party decreased $2.6 million as a result of the declining estimated net asset value year over year.

General and Administrative Expenses

General and administrative expenses increased $3.7 million for the year ended December 31, 2020, as compared to the year ended December 31, 2019, as a result of significant increases to insurance premiums. Further, we incurred non-operating compensation costs for a property within the Fountains net lease portfolio during the year ended December 31, 2020.

Depreciation and Amortization

The following table presents depreciation and amortization recognized on our direct investments (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2020	2019	Amount	%
Same store (placed in service - 2018 and prior)				
ALF/MCF/CCRC properties	$ 19,899	$ 19,933	$ (34)	(0.2)%
ILF properties	30,167	36,727	(6,560)	(17.9)%
Net lease properties	14,940	14,226	714	5.0 %
Properties sold	—	103	(103)	(100.0)%
Total depreciation and amortization	$ 65,006	$ 70,989	$ (5,983)	(8.4)%

Depreciation and amortization expense decreased $6.0 million, primarily as a result of intangible assets becoming fully amortized in the Winterfell and Rochester portfolios in 2019. Impairments recognized for properties in the Winterfell and Aqua portfolios reduced building depreciation expense for the year ended December 31, 2020 and contributed to the overall decrease.

Impairment Loss

During the year ended December 31, 2020, impairment losses on operating real estate and held for sale assets totaled $166.0 million for properties with sustained poor performance, declines in occupancy and operating margins, and which have been significantly impacted by the effects of COVID-19. Refer to "—Impairment" for additional discussion.

During the year ended December 31, 2019, impairment losses on operating real estate and held for sale assets totaled $27.6 million. Impairment was recognized for two ALFs with sustained low occupancy within the Rochester portfolio, two poor performing properties within the Kansas City portfolio and a net lease property classified as held for sale.

Other Income

Other income for the year ended December 31, 2020 comprised of $1.8 million in federal COVID-19 provider relief grants from DHHS. These grants are intended to mitigate the negative financial impact of the COVID-19 pandemic as reimbursements for expenses incurred to prevent, prepare for and respond to COVID-19 and lost revenues attributable to COVID-19 by our direct operating investments. Provided that we attest to and comply with certain terms and conditions of the grants, we will not be required to repay these grants in the future.

Realized Gain (Loss) on Investments and Other

During the year ended December 31, 2020, we recognized a $0.3 million gain on the settlement of the share based payment to our Advisor. During the year ended December 31, 2019, realized gains of $6.3 million were primarily related to the sale of two net lease properties and two Remainder Interest units in the Fountains portfolio.

Equity in Earnings (Losses) of Unconsolidated Ventures

The following table presents the results of our unconsolidated ventures (dollars in thousands):

	Year Ended December 31,								Year Ended December 31,	
	2020	2019	2020	2019	2020	2019			2020	2019
Portfolio	Equity in Earnings (Losses)		Select Revenues and (Expenses), net[1]		Equity in Earnings, less Select Revenues and Expenses		Increase (Decrease)		Cash Distributions	
Eclipse	$ (3,774)	$ 435	$ (4,769)	$ (987)	$ 995	$ 1,422	$ (427)	(30.0)%	$ 86	$ 2,717
Envoy	(7)	20	—	(892)	(7)	912	(919)	(100.8)%	390	4,339
Diversified US/UK (formerly Griffin-American)	(35,396)	(4,540)	(47,177)	(16,359)	11,781	11,819	(38)	(0.3)%	1,487	23,061
Espresso	270	(2,426)	(9,415)	(8,530)	9,685	6,104	3,581	58.7 %	—	—
Trilogy	4,495	3,003	(13,617)	(13,797)	18,112	16,800	1,312	7.8 %	3,960	5,805
Subtotal	$ (34,412)	$ (3,508)	$ (74,978)	$ (40,565)	$ 40,566	$ 37,057	$ 3,509	9.5 %	$ 5,923	$ 35,922
Operator Platform[2]	(54)	(37)	—	—	(54)	(37)	(17)	45.9 %	—	—
Total	$ (34,466)	$ (3,545)	$ (74,978)	$ (40,565)	$ 40,512	$ 37,020	$ 3,492	9.4 %	$ 5,923	$ 35,922

(1) Represents our proportionate share of revenues and expenses excluded from the calculation of FFO and MFFO. Refer to "—Non-GAAP Financial Measures" for additional discussion.
(2) Represents our investment in Solstice.

Our proportionate share of losses generated by our unconsolidated ventures increased $30.9 million for the year ended December 31, 2020, as compared to the year ended December 31, 2019, was primarily due to real estate impairments recorded by the Diversified US/UK (formerly Griffin-American), Eclipse and Trilogy joint ventures.

Equity in earnings, less select revenues and expenses, increased by $3.5 million. Improved performance in the Espresso joint venture, primarily due to full contractual rent collections and lower interest and operating expenses, as well as federal COVID-19 provider relief funds received and recognized by the Trilogy joint venture, were the main contributors to the increase for the year ended December 31, 2020. Non-recurring earnings recognized by the Envoy joint venture upon the completion of the sale of its remaining operating assets in 2019 and declines in operational performance in the Diversified US/UK (formerly Griffin-American) and Eclipse joint ventures as a result of the effects of COVID-19, partially offset the increase.

Income Tax Expense

Income tax expense for the year ended December 31, 2020 was $53,000 and related to our operating properties, which operate through a taxable REIT subsidiary structure. Income tax expense for the year ended December 31, 2019 was $75,000.

Comparison of the Year Ended December 31, 2019 to December 31, 2018 (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2019	2018	Amount	%
Property and other revenues				
Resident fee income	$ 130,135	$ 129,855	$ 280	0.2 %
Rental income	161,084	159,481	1,603	1.0 %
Other revenue	1,959	4,935	(2,976)	(60.3)%
Total property and other revenues	293,178	294,271	(1,093)	(0.4)%
Net interest income				
Interest income on debt investments	7,703	7,706	(3)	— %
Interest income on mortgage loans held in a securitized trust	—	5,149	(5,149)	(100.0)%
Interest expense on mortgage obligations issued by a securitization trust	—	(3,824)	3,824	(100.0)%
Net interest income	7,703	9,031	(1,328)	(14.7)%
Expenses				
Real estate properties - operating expenses	181,214	188,761	(7,547)	(4.0)%
Interest expense	68,896	70,196	(1,300)	(1.9)%
Other expenses related to securitization trust	—	811	(811)	(100.0)%
Transaction costs	122	888	(766)	(86.3)%
Asset management and other fees-related party	19,789	23,478	(3,689)	(15.7)%
General and administrative expenses	12,761	14,390	(1,629)	(11.3)%
Depreciation and amortization	70,989	107,133	(36,144)	(33.7)%
Impairment loss	27,554	36,277	(8,723)	(24.0)%
Total expenses	381,325	441,934	(60,609)	(13.7)%
Realized gain (loss) on investments and other	6,314	20,243	(13,929)	(68.8)%
Equity in earnings (losses) of unconsolidated ventures	(3,545)	(33,517)	29,972	(89.4)%
Income tax benefit (expense)	(75)	(114)	39	(34.2)%
Net income (loss)	$ (77,750)	$ (152,020)	$ 74,270	(48.9)%

Resident Fee Income

The following table presents resident fee income generated during the year ended December 31, 2019 as compared to the year ended December 31, 2018 (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2019	2018	Amount	%
Same store AL/MC/CCRC properties (placed in service - 2017 and prior)	$ 128,720	$ 124,250	$ 4,470	3.6 %
Properties placed in service - 2018	1,415	81	1,334	1,646.9 %
Properties sold	—	5,524	(5,524)	(100.0)%
Total resident fee income	$ 130,135	$ 129,855	$ 280	0.2 %

On a same store basis, resident fee income increased $4.5 million primarily as a result of non-recurring income recognized in the Fountains portfolio, billing rate increases for the Watermark Aqua and Fountains portfolios and a one-time adjustment, which reduced revenue for the Rochester portfolio in 2018. The increase in resident fee income generated by Pinebrook memory care expansion, which opened in November 2018, was offset by decreases in revenue as a result of the sale of an operating facility in the Fountains portfolio in the fourth quarter of 2018.

Rental Income

The following table presents rental income generated during the year ended December 31, 2019 as compared to the year ended December 31, 2018 (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2019	2018	Amount	%
Same store IL properties (placed in service - 2017 and prior)	$ 127,660	$ 125,207	$ 2,453	2.0 %
Same store net lease properties (placed in service - 2017 and prior)	32,826	32,808	18	0.1 %
Properties sold	598	1,466	(868)	(59.2)%
Total rental income	$ 161,084	$ 159,481	$ 1,603	1.0 %

Rental income increased $1.6 million primarily due to non-recurring services and fees at our IL properties, which were recorded as rental income during the year ended December 31, 2019 as a result of the adoption of the new lease accounting standard and were previously recorded as other revenue. Further, rental income recorded in 2018 was reduced by one-time write-downs, as a result of a net lease operator not remitting rental payments, which also contributed to the variance. Increases to rental income were offset by the sale of two net lease properties.

Other Revenue

As a result of the adoption of the new lease accounting standard, non-recurring services and fees at our operating facilities were reclassified into rental and resident fee income, which resulted in a decrease to other revenue for the year ended December 31, 2019 as compared to year ended December 31, 2018. The decrease was offset by non-recurring service provider incentives recognized by the Winterfell portfolio, as well as interest earned on uninvested cash.

Net Interest Income

Net interest income decreased $1.3 million primarily as a result of the sale of our investment in the Freddie Mac securitization in the first quarter of 2018.

Real Estate Properties - Operating Expenses

The following table presents property operating expenses incurred during the year ended December 31, 2019 as compared to the year ended December 31, 2018 (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2019	2018	Amount	%
Same store (placed in service - 2017 and prior)				
AL/MC/CCRC properties	$ 93,048	$ 92,382	$ 666	0.7 %
IL properties	86,526	89,750	(3,224)	(3.6)%
Net lease properties	10	1,342	(1,332)	(99.3)%
Properties placed in service - 2018	1,630	261	1,369	524.5 %
Properties sold	—	5,026	(5,026)	(100.0)%
Total property operating expenses	$ 181,214	$ 188,761	$ (7,547)	(4.0)%

Property operating expenses decreased $7.5 million, primarily due to the sale of an operating facility in the Fountains portfolio in the fourth quarter of 2018, as well as expense savings realized in the Winterfell portfolio. One-time bad debt expense for straight-line rent recorded during the year ended December 31, 2018, as a result of a net lease portfolio operator not remitting rental payments, also contributed to the variance.

Interest Expense

The following table presents interest expense incurred during the year ended December 31, 2019 as compared to the year ended December 31, 2018 (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2019	2018	Amount	%
Same store (placed in service - 2017 and prior)				
AL/MC/CCRC properties	$ 20,620	$ 20,571	$ 49	0.2 %
IL properties	35,740	35,781	(41)	(0.1)%
Net lease properties	12,187	12,719	(532)	(4.2)%
Properties sold	247	850	(603)	(70.9)%
Corporate	102	275	(173)	(62.9)%
Total interest expense	$ 68,896	$ 70,196	$ (1,300)	(1.9)%

Interest expense decreased $1.3 million as a result of lower mortgage notes balances during the year ended December 31, 2019 due to continued principal amortization and loan payoffs.

Other Expenses Related to Securitization Trust

Other expenses related to securitization trust were not incurred during the year ended December 31, 2019 as our investment in the Freddie Mac securitization was sold in the first quarter of 2018. Securitization trust expenses were primarily comprised of fees paid to Freddie Mac, the original issuer, as guarantor of the interest and principal payments related to the investment grade securitization bonds.

Transaction Costs

Transaction costs for the year ended December 31, 2019 are primarily residual costs incurred for the Rochester operator license transfer. Transaction costs for the year ended December 31, 2018 are primarily costs incurred for the Winterfell and Bonaventure operator transition.

Asset Management and Other Fees - Related Party

Our Advisor receives a monthly asset management fee equal to one-twelfth of 1.5% of our most recently published aggregate estimated net asset value. Asset management and other fees - related party decreased $3.7 million as a result of the declining estimated net asset value year over year.

General and Administrative Expenses

General and administrative expenses decreased $1.6 million, primarily as a result of lower corporate overhead costs incurred during the year ended December 31, 2019.

Depreciation and Amortization

The following table presents depreciation and amortization expense incurred during the year ended December 31, 2019 as compared to the year ended December 31, 2018 (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2019	2018	Amount	%
Same store (placed in service - 2017 and prior)				
AL/MC/CCRC properties	$ 19,752	$ 20,554	$ (802)	(3.9)%
IL properties	36,727	72,754	(36,027)	(49.5)%
Net lease properties	14,227	13,283	944	7.1 %
Properties placed in service - 2018	180	27	153	566.7 %
Properties sold	103	515	(412)	(80.0)%
Total depreciation and amortization expense	$ 70,989	$ 107,133	$ (36,144)	(33.7)%

Depreciation and amortization expense decreased $36.1 million, primarily as a result of intangible assets becoming fully amortized in the Winterfell and Rochester portfolios in 2019 and 2018, respectively.

Impairment Loss

During the year ended December 31, 2019, impairment losses totaled $27.6 million. Impairment was recognized for two ALFs with sustained low occupancy within the Rochester portfolio, two poor performing properties within the Kansas City and a net lease property classified as held for sale.

During the year ended December 31, 2018, impairment losses totaling $36.3 million were recorded due to performance issues at properties within the Winterfell and Kansas City portfolios, as well as to reflect net realizable value of properties designated as held for sale.

Realized Gain (Loss) on Investments and Other

During the year ended December 31, 2019, realized gains of $6.3 million related to the sale of two net lease properties and the sale of Remainder Interests in the Fountains portfolio. During the year ended December 31, 2018, realized gains of $20.2 million was primarily a result of the sales of our investments in the Trilogy portfolio and Freddie Mac securitization.

Equity in Earnings (Losses) of Unconsolidated Ventures (dollars in thousands):

	Year Ended December 31,								Year Ended December 31,	
	2019	2018	2019	2018	2019	2018			2019	2018
Portfolio	Equity in Earnings (Losses)		Select Revenues and (Expenses), net[1]		Equity in Earnings, less Select Revenues and Expenses		Increase (Decrease)		Cash Distributions	
Eclipse	$ 435	$ (624)	$ (987)	$ (2,280)	$ 1,422	$ 1,656	$ (234)	(14.1)%	$ 2,717	$ 754
Envoy	20	(37)	(892)	(301)	912	264	648	245.5 %	4,339	283
Diversified US/UK (formerly Griffin-American)	(4,540)	(12,717)	(16,359)	(24,780)	11,819	12,063	(244)	(2.0)%	23,061	5,553
Espresso	(2,426)	(21,460)	(8,530)	(26,906)	6,104	5,446	658	12.1 %	—	—
Trilogy	3,003	1,153	(13,797)	(14,810)	16,800	15,963	837	5.2 %	5,805	5,977
Subtotal	$ (3,508)	$ (33,685)	$ (40,565)	$ (69,077)	$ 37,057	$ 35,392	$ 1,665	4.7 %	$ 35,922	$ 12,567
Operator Platform[2]	(37)	168	—	—	(37)	168	(205)	(122.0)%	—	107
Total	$ (3,545)	$ (33,517)	$ (40,565)	$ (69,077)	$ 37,020	$ 35,560	$ 1,460	4.1 %	$ 35,922	$ 12,674

(1) Represents our proportionate share of revenues and expenses excluded from the calculation of FFO and MFFO. Refer to "—Non-GAAP Financial Measures" for additional discussion.
(2) Represents our investment in Solstice.

Our proportionate share of losses generated by our unconsolidated ventures decreased by $30.0 million, primarily due to lower impairment and reserves recognized by the Diversified US/UK (formerly Griffin-American) and Espresso joint ventures during the year ended December 31, 2019.

Equity in earnings, net of select revenues and expenses, increased $1.5 million, primarily due to continued expansion and development of operating real estate and same store improvements in the Trilogy joint venture during the year ended December 31, 2019. Further, residual earnings were recognized by the Envoy joint venture upon the completion of the sale of its remaining operating assets during the year ended December 31, 2019.

Income Tax Benefit (Expense)

Income tax expense for the year ended December 31, 2019 was $75,000 and related to our operating properties, which operate through a taxable REIT subsidiary structure. Income tax expense for the year ended December 31, 2018 was $114,000.

Non-GAAP Financial Measures

Funds from Operations and Modified Funds from Operations

We believe that FFO and MFFO are additional appropriate measures of the operating performance of a REIT and of us in particular. We compute FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT, as net income (loss) (computed in accordance with U.S. GAAP), excluding gains (losses) from sales of depreciable property, the cumulative effect of changes in accounting principles, real estate-related depreciation and amortization, impairment on depreciable property owned directly or indirectly and after adjustments for unconsolidated ventures.

Changes in the accounting and reporting rules under U.S. GAAP that have been put into effect since the establishment of NAREIT's definition of FFO have prompted an increase in the non-cash and non-operating items included in FFO. For instance, the accounting treatment for acquisition fees related to business combinations has changed from being capitalized to being expensed. Additionally, publicly registered, non-traded REITs are typically different from traded REITs because they generally have a limited life followed by a liquidity event or other targeted exit strategy. Non-traded REITs typically have a significant amount of acquisition activity and are substantially more dynamic during their initial years of investment and operation as compared to later years when the proceeds from their initial public offering have been fully invested and when they may seek to implement a liquidity event or other exit strategy. However, it is likely that we will make investments past the acquisition and development stage, albeit at a substantially lower pace.

Acquisition fees paid to our Advisor in connection with the origination and acquisition of debt investments have been amortized over the life of the investment as an adjustment to interest income, while fees paid to our Advisor in connection with the acquisition of equity investments were generally expensed under U.S. GAAP. In both situations, the fees were included in the computation of net income (loss) and income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense), both of which are performance measures under U.S. GAAP. We adjusted MFFO for the amortization of acquisition fees in the period when such amortization was recognized under U.S. GAAP or in the period in which the acquisition fees were expensed. Acquisition fees were paid in cash that would otherwise have been available to distribute to our stockholders. Such fees and expenses will not be reimbursed by our Advisor or its affiliates and third parties. However, in general, we earned origination fees for debt investments from our borrowers in an amount equal to the acquisition fees paid to our Advisor. Effective January 1, 2018, our Advisor no longer receives an acquisition fee in connection with our acquisition of real estate properties or debt investments.

Due to certain of the unique features of publicly-registered, non-traded REITs, the Institute for Portfolio Alternatives, or IPA, an industry trade group, standardized a performance measure known as MFFO and recommends the use of MFFO for such REITs. Management believes MFFO is a useful performance measure to evaluate our business and further believes it is important to disclose MFFO in order to be consistent with the IPA recommendation and other non-traded REITs. MFFO adjustments for items such as acquisition fees would only be comparable to non-traded REITs that have completed the majority of their acquisition activity and have other similar operating characteristics as us. Neither the U. S. Securities and Exchange Commission, or SEC, nor any other regulatory body has approved the acceptability of the adjustments that we use to calculate MFFO. In the future, the SEC or another regulatory body may decide to standardize permitted adjustments across the non-listed REIT industry and we may need to adjust our calculation and characterization of MFFO.

MFFO is a metric used by management to evaluate our future operating performance once our organization and offering and acquisition and development stages are complete and is not intended to be used as a liquidity measure. Although management uses the MFFO metric to evaluate future operating performance, this metric excludes certain key operating items and other adjustments that may affect our overall operating performance. MFFO is not equivalent to net income (loss) as determined under U.S. GAAP. In addition, MFFO is not a useful measure in evaluating net asset value, since impairment is taken into account in determining net asset value but not in determining MFFO.

We define MFFO in accordance with the concepts established by the IPA, and adjust for certain items, such as accretion of a discount and amortization of a premium on borrowings and related deferred financing costs, as such adjustments are comparable to adjustments for debt investments and will be helpful in assessing our operating performance. We also adjust MFFO for the non-recurring impact of the non-cash effect of deferred income tax benefits or expenses, as applicable, as such items are not indicative of our operating performance. Similarly, we adjust for the non-cash effect of unrealized gains or losses on unconsolidated ventures. Our computation of MFFO may not be comparable to other REITs that do not calculate MFFO using the same method. MFFO is calculated using FFO. FFO, as defined by NAREIT, is a computation made by analysts and investors to measure a real estate company's operating performance. The IPA's definition of MFFO excludes from FFO the following items:

- acquisition fees and expenses;
- non-cash amounts related to straight-line rent and the amortization of above or below market and in-place intangible lease assets and liabilities (which are adjusted in order to reflect such payments from an accrual basis of accounting under U.S. GAAP to a cash basis of accounting);
- amortization of a premium and accretion of a discount on debt investments;
- non-recurring impairment of real estate-related investments that meet the specified criteria identified in the rules and regulations of the SEC;
- realized gains (losses) from the early extinguishment of debt;

- realized gains (losses) on the extinguishment or sales of hedges, foreign exchange, securities and other derivative holdings except where the trading of such instruments is a fundamental attribute of our business;
- unrealized gains (losses) from fair value adjustments on real estate securities, including CMBS and other securities, interest rate swaps and other derivatives not deemed hedges and foreign exchange holdings;
- unrealized gains (losses) from the consolidation from, or deconsolidation to, equity accounting;
- adjustments related to contingent purchase price obligations; and
- adjustments for consolidated and unconsolidated partnerships and joint ventures calculated to reflect MFFO on the same basis as above.

Certain of the above adjustments are also made to reconcile net income (loss) to net cash provided by (used in) operating activities, such as for the amortization of a premium and accretion of a discount on debt and securities investments, amortization of fees, any unrealized gains (losses) on derivatives, securities or other investments, as well as other adjustments.

MFFO excludes non-recurring impairment of real estate-related investments. We assess the credit quality of our investments and adequacy of reserves/impairment on a quarterly basis, or more frequently as necessary. Significant judgment is required in this analysis. With respect to debt investments, we consider the estimated net recoverable value of the loan as well as other factors, including but not limited to the fair value of any collateral, the amount and the status of any senior debt, the prospects for the borrower and the competitive situation of the region where the borrower does business. Fair value is typically estimated based on discounting expected future cash flow of the underlying collateral taking into consideration the discount rate, capitalization rate, occupancy, creditworthiness of major tenants and many other factors. This requires significant judgment and because it is based on projections of future economic events, which are inherently subjective, the amount ultimately realized may differ materially from the carrying value as of the consolidated balance sheets date. If the estimated fair value of the underlying collateral for the debt investment is less than its net carrying value, a loan loss reserve is recorded with a corresponding charge to provision for loan losses. With respect to a real estate investment, a property's value is considered impaired if a triggering event is identified and our estimate of the aggregate future undiscounted cash flow to be generated by the property is less than the carrying value of the property. The value of our investments may be impaired and their carrying values may not be recoverable due to our limited life. Investors should note that while impairment charges are excluded from the calculation of MFFO, investors are cautioned that due to the fact that impairments are based on estimated future undiscounted cash flow and the relatively limited term of a non-traded REIT's anticipated operations, it could be difficult to recover any impairment charges through operational net revenues or cash flow prior to any liquidity event.

We believe that MFFO is a useful non-GAAP measure for non-traded REITs. It is helpful to management and stockholders in assessing our future operating performance once our organization and offering, and acquisition and development stages are complete. However, MFFO may not be a useful measure of our operating performance or as a comparable measure to other typical non-traded REITs if we do not continue to operate in a similar manner to other non-traded REITs, including if we were to extend our acquisition and development stage or if we determined not to pursue an exit strategy.

However, MFFO does have certain limitations. For instance, the effect of any amortization or accretion on debt investments originated or acquired at a premium or discount, respectively, is not reported in MFFO. In addition, realized gains (losses) from acquisitions and dispositions and other adjustments listed above are not reported in MFFO, even though such realized gains (losses) and other adjustments could affect our operating performance and cash available for distribution. Stockholders should note that any cash gains generated from the sale of investments would generally be used to fund new investments. Any mark-to-market or fair value adjustments may be based on many factors, including current operational or individual property issues or general market or overall industry conditions.

Neither FFO nor MFFO is equivalent to net income (loss) or cash flow provided by operating activities determined in accordance with U.S. GAAP and should not be construed to be more relevant or accurate than the U.S. GAAP methodology in evaluating our operating performance. Neither FFO nor MFFO is necessarily indicative of cash flow available to fund our cash needs including our ability to make distributions to our stockholders. FFO and MFFO do not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations or other commitments or uncertainties. Furthermore, neither FFO nor MFFO should be considered as an alternative to net income (loss) as an indicator of our operating performance.

The following table presents a reconciliation of net income (loss) attributable to common stockholders to FFO and MFFO attributable to common stockholders (dollars in thousands):

	Year Ended December 31,		
	2020	2019	2018
Funds from operations:			
Net income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	$ (261,458)	$ (76,960)	$ (151,578)
Adjustments:			
Depreciation and amortization	65,006	70,989	107,133
Depreciation and amortization related to non-controlling interests	(647)	(635)	(779)
Impairment loss on real estate related to non-controlling interests	(2,253)	(585)	(62)
Realized gain (loss) from sales of property related to non-controlling interests	—	—	2
Depreciation and amortization related to unconsolidated ventures	31,999	31,892	32,877
Impairment losses of depreciable real estate held by unconsolidated ventures	37,893	2,663	22,568
Realized (gain) loss from sales of property related to unconsolidated ventures	(320)	(4,065)	1,446
Impairment losses of depreciable real estate	165,968	27,554	35,552
Realized (gain) loss from sales of property	—	(6,104)	(14,148)
Funds from operations attributable to NorthStar Healthcare Income, Inc. common stockholders	$ 36,188	$ 44,749	$ 33,011
Modified funds from operations:			
Funds from operations attributable to NorthStar Healthcare Income, Inc. common stockholders	$ 36,188	$ 44,749	$ 33,011
Adjustments:			
Acquisition fees and transaction costs	65	122	878
Straight-line rental (income) loss	441	(467)	440
Amortization of premiums, discounts and fees on investments and borrowings	4,975	4,914	4,903
Amortization of discounts on healthcare-related securities	—	—	314
Adjustments related to unconsolidated ventures[1]	5,406	10,075	12,185
Adjustments related to non-controlling interests	(48)	(25)	13
Realized (gain) loss on investments and other	(302)	(679)	(6,094)
Impairment of assets other than real estate	—	—	725
Modified funds from operations attributable to NorthStar Healthcare Income, Inc. common stockholders	$ 46,725	$ 58,689	$ 46,375

(1) Primarily represents our proportionate share of liability extinguishment gains, loan loss reserves, transaction costs and amortization of above/below market debt adjustments, straight-line rent adjustments, debt extinguishment losses and deferred financing costs, incurred through our investments in unconsolidated ventures.

Liquidity and Capital Resources

Our current principal liquidity needs are to fund: (i) principal and interest payments on our borrowings and other commitments; (ii) operating expenses; and (iii) capital expenditures, development and redevelopment activities, including capital calls in connection with our unconsolidated joint venture investments.

Our current primary sources of liquidity include the following: (i) cash on hand; (ii) cash flow generated by our investments, both from our operating activities and distributions from our unconsolidated joint ventures; (iii) secured or unsecured financings from banks and other lenders, including investment-level financing and/or a corporate credit facility; and (iv) proceeds from full or partial realization of investments.

Our investments generate cash flow in the form of rental revenues, resident fees and interest income, which are reduced by operating expenditures, debt service payments, capital expenditures and corporate general and administrative expenses.

Prior to the COVID-19 pandemic, our business had been impacted by limited growth in revenues due to stagnant occupancy and rate pressures as well as rising labor and benefits costs, resulting in compressed operating margins. The effects of the COVID-19 pandemic have further amplified the aforementioned issues. The COVID-19 pandemic has impacted and will continue to impact, our operating results and liquidity, the extent to which depends on the exposure of residents and staff to COVID-19, the speed of the development and distribution of vaccines for COVID-19 and variants thereof and the efficacy, acceptance and availability of such vaccines and the continuation of government imposed preventative restrictions, among other factors.

In response to this uncertainty, we took the following actions to preserve liquidity and financial resources:

- Borrowed $35.0 million under our Sponsor Line;
- Suspended all repurchases under our Share Repurchase Program effective April 30, 2020;
- Limited capital expenditures of our operating real estate to life safety and essential projects at the onset of the pandemic and are now selectively approving additional improvements;
- Entered into forbearance agreements, effective May 1, 2020, to defer up to 90 days of contractual debt service for borrowings on properties within the Aqua, Rochester, Arbors, Winterfell and Fountains portfolios. The aggregate outstanding principal amount of these borrowings totaled $1.3 billion as of December 31, 2020.
- Entered into a forbearance agreement, effective July 1, 2020, to defer up to 90 days of interest payments and 120 days of principal payments and temporarily waive financial covenants under the mortgage note for a mortgage note payable on a property within our Rochester portfolio. The outstanding principal amount of the mortgage note payable was $19.9 million as of December 31, 2020.

We currently believe that our capital resources are sufficient to meet our capital needs for the following 12 months. As of March 18, 2021, we had approximately $95.7 million of unrestricted cash. For additional information regarding our liquidity needs and capital resources, see below.

Cash From Operations

We primarily generate cash flow from operations through net operating income from our operating properties, rental income from our net lease properties and interest from our debt investment, as well as distributions from our investments in unconsolidated ventures. Net cash provided by operating activities was $31.0 million for the year ended December 31, 2020.

A substantial majority of our properties, or 77.2% of our operating real estate, excluding our unconsolidated ventures and properties designated held for sale, are operating properties whereby we are directly exposed to various operational risks. During the year ended December 31, 2020, our cash flow from operations continued to be negatively impacted by, among other things, suboptimal occupancy levels, rate pressures, increased labor and benefits costs, as well as rising real estate taxes. Beginning in March 2020, our operations began to be impacted by the COVID-19 pandemic. Occupancy, which is the primary driver of revenues at our properties, has declined, and may continue to decline, as shelter-in-place restrictions limited admissions, tours, inquiries and ultimately move-ins, while the pandemic also increases the risk of resident illness and move-outs. At the same time, operating costs have increased to obtain adequate staffing and personal protective equipment. We expect that these factors will materially impact our revenues, expenses and cash flow generated by the communities of our direct operating investments during the pandemic. As of March 18, 2021, our direct operating investments have not experienced any significant issues collecting rents or other fees from residents as a result of COVID-19.

For our net lease investments, our operators will be impacted by the same COVID-19 factors discussed above, which has and will continue to affect our operators' ability and willingness to pay rent. Numerous state, local, federal and industry-initiated efforts have also affected or may affect landlords and their ability to collect rent and or enforce remedies for the failure to pay rent. As of March 18, 2021, rent collection details for our net lease investments are as follows:

- The operator of our Smyrna (formerly Peregrine) portfolio has failed to remit rental payments in 2020;
- The operator of our Arbors portfolio has failed to remit rent timely and satisfy other lease conditions, but is current on its contractual monthly rent obligations through December 2020;

- Effective June 1, 2020, we granted a lease concession to the operator of our Fountains net lease portfolio. The concession allowed the operator to defer a portion of contractual rent payments for a 90-day period, with full contractual rent to be repaid over the 12 months following the concession period. The lease concession provided the operator relief consistent with the debt forbearance received from the lender of the properties in the portfolio. The amount of the deferred rental payments under the lease concession totaled $3.9 million. The lease concession period ended on August 31, 2020 and the operator has resumed remitting contractual rent payments, including amounts related to deferred rent granted under the lease concession.

The performance of our operators in our Arbors portfolio and Fountains net lease portfolio have been significantly and adversely affected by COVID-19 thus far, which has resulted in delays and shortfalls in payment of rent. Our operators have applied for and benefited from federal relief assistance, however, the continuing impact of COVID-19 on their ability to pay rent in the future is currently unknown.

In addition, we have significant joint ventures and may not be able to control the timing of distributions, if any, from these investments. As of December 31, 2020, our unconsolidated joint ventures and consolidated joint ventures represented 35.4% and 20.9%, respectively, of our total real estate equity investments, based on cost. Due to uncertainty surrounding COVID-19, our joint ventures, which have been similarly impacted as our direct investments, are likely to suspend or limit distributions to preserve liquidity.

Borrowings

We use asset-level financing as part of our investment strategy and are required to make recurring principal and interest payments on our borrowings. As of December 31, 2020, we had $1.4 billion of consolidated asset-level borrowings outstanding. During the year ended December 31, 2020, we paid $72.6 million in recurring principal and interest payments on these borrowings.

In response to the impact COVID-19 has had on the performance at our healthcare properties, we entered into forbearance agreements with our lenders to defer contractual debt service for borrowings on properties within the Aqua, Rochester, Arbors, Winterfell and Fountains portfolios. We have resumed remitting debt service on these borrowings. As a result, these borrowings remain in technical default and are subject to the terms of the forbearance agreements until all deferred debt service is repaid. The deferred debt service must be repaid over the 12 months following the forbearance period. As of March 18, 2021, deferred debt service outstanding totaled $5.3 million, which has increased payments and will put pressure on liquidity in future periods.

We entered into a forbearance agreement with our lender for a mortgage note on a property within the Rochester portfolio that also temporarily waives financial covenants under the mortgage note, which the property has failed to maintain as of December 31, 2020. In addition, the operator for the Arbors portfolio failed to remit rent timely and satisfy other conditions under its lease, which resulted in a default under the operator's lease, and in turn, resulted in a default under the mortgage notes collateralized by the properties as of December 31, 2020. As the impact of COVID-19 continues to influence performance at our healthcare properties, we expect that we will experience additional defaults.

We continue to engage with lenders, where necessary, regarding further deferral of payment obligations. However, if COVID-19 continues to impact performance and we are unable to obtain accommodations from our lenders, we may be subject to cash flow sweeps, required to repay outstanding obligations, including penalties, prior to the stated maturity, or potentially have assets foreclosed upon.

Although no significant consolidated borrowings mature in 2021, $460.0 million of our mortgage notes secured by the Watermark Fountains net lease and operating portfolios matures in June 2022, which may require capital to be funded if favorable refinancing is not obtained. Our unconsolidated joint ventures also have significant asset level borrowings, which also may require capital to be funded if favorable refinancing is not obtained.

In April 2020, we borrowed $35.0 million under our Sponsor Line to improve our liquidity position. The borrowings under our Sponsor Line carry an interest rate of 3.5% plus LIBOR. As of March 18, 2021, the effective interest rate of the Sponsor Line was 3.6%.

Our charter limits us from incurring borrowings that would exceed 300.0% of our net assets. We cannot exceed this limit unless any excess in borrowing over such level is approved by a majority of our independent directors. We would need to disclose any such approval to our stockholders in our next quarterly report along with the justification for such excess. An approximation of this leverage limitation, excluding indirect leverage held through our unconsolidated joint venture investments and any securitized mortgage obligations to third parties, is 75.0% of our assets, other than intangibles, before deducting loan loss reserves, other non-cash reserves and depreciation. As of December 31, 2020, our leverage was 61.3% of our assets, other than intangibles, before deducting loan loss reserves, other non-cash reserves and depreciation. As of

December 31, 2020, indirect leverage on assets, other than intangibles, before deducting loan loss reserves, other non-cash reserves and depreciation, held through our unconsolidated joint ventures was 60.5%.

For additional information regarding our borrowings, including principal repayments, timing of maturities and loans currently in default, refer to Note 6, "Borrowings" in our accompanying consolidated financial statements included in Part II, Item 8. "Financial Statements and Supplementary Data."

Capital Expenditures, Development and Redevelopment Activities

We are responsible for capital expenditures for our operating properties and, from time to time, may also fund capital expenditures for certain net lease properties. We continue to invest capital into our operating portfolio in order to maintain market position, as well as functional and operating standards. In addition, we will continue to execute on and identify strategic development opportunities for our existing investments that may involve replacing, converting or renovating facilities in our portfolio which, in turn, would allow us to provide an optimal mix of services, increase operating income, achieve property stabilization and enhance the overall value of our assets. However, there can be no assurance that these initiatives will achieve these intended results.

During the year ended December 31, 2020, we spent $15.2 million on capital expenditures for our direct investments, which were limited in response to the COVID-19 pandemic to life safety and essential projects, with the selective approval of additional improvements in conjunction with our operating partners. We anticipate normalized spending on capital expenditures, including strategic development as outlined in our strategy, to resume in 2021, however it continues to be difficult to accurately predict the full extent of the financial impact of the COVID-19 pandemic on our operations and on our liquidity needs.

We are also party to certain agreements that contemplate development of healthcare properties funded by us and our joint venture partners. Although we may not be obligated to fund such capital contributions or capital projects, we may be subject to adverse consequences under our joint venture governing documents for any such failure to fund.

Realization and Disposition of Investments

We evaluate dispositions of non-core investments to provide an additional source of liquidity. In 2019, we generated total net proceeds, after mortgage and loan repayments, of $26.6 million from dispositions of our direct investments and investments within our unconsolidated ventures. In July 2020, we sold a net lease property previously designated as held for sale, generating net proceeds of $0.9 million.

We have made significant investments through both consolidated and unconsolidated joint ventures with third parties which we may share decision-making authority regarding certain major decisions and could prevent us from selling properties or our interest in the joint venture.

While we will continue to evaluate additional dispositions of investments in 2021, future dispositions may be delayed. If we decide to pursue a disposition to generate additional liquidity, we may generate the lower proceeds as a result of the COVID-19 pandemic.

Effective December 31, 2020, we executed an amended and restated loan agreement with the borrower of mezzanine loan debt investment that extended the maturity date through January 2022. If the borrower is not able to refinance with another lender or otherwise repay the principal amount at its stated maturity, we may have to negotiate further modifications to the loan agreement, which may delay our ability to realize liquidity from this investment. In addition, as a result of COVID-19, there may be additional defaults or challenges refinancing any of the senior borrowings, and we may be required to cure such defaults in order to preserve the collateral underlying our mezzanine loan.

Distributions

To continue to qualify as a REIT, we are required to distribute annually dividends equal to at least 90% of our taxable income, subject to certain adjustments, to stockholders. We have generated, and continue to generate, net operating losses for tax purposes and, accordingly, are currently not required to make distributions to our stockholders to qualify as a REIT. Effective February 1, 2019, our board of directors determined to suspend distributions in order to preserve capital and liquidity. Refer to "—Distributions Declared and Paid" for further information regarding our historical distributions.

Repurchases

We adopted a Share Repurchase Program effective August 7, 2012, which enabled stockholders to sell their shares to us in limited circumstances. In October 2018, our board of directors approved an amended and restated Share Repurchase Program, under which we only repurchased shares in connection with the death or qualifying disability of a stockholder. However, our board of directors may amend, suspend or terminate our Share Repurchase Program at any time, subject to certain notice requirements. On April 7, 2020, our board of directors determined to suspend all repurchases under our existing Share Repurchase Program effective April 30, 2020 in order to preserve capital and liquidity during the COVID-19 pandemic. During the year ended December 31, 2020, we repurchased 0.3 million shares for an aggregate amount of $2.1 million.

Other Commitments

We expect to continue to make payments to our Advisor, or its affiliates, pursuant to our advisory agreement, as applicable, in connection with the management of our assets and costs incurred by our Advisor in providing services to us. In December 2017, our advisory agreement was amended with changes to the asset management and acquisition fee structure. In June 2020, our advisory agreement was renewed for an additional one-year term commencing on June 30, 2020, with terms identical to those previously in effect, but for the elimination of the disposition fees. Refer to "—Related Party Arrangements" for further information regarding our advisory fees.

Cash Flows

The following presents a summary of our consolidated statements of cash flows (dollars in thousands):

	Year Ended December 31,				
Cash flows provided by (used in):	**2020**	**2019**	**2018**	**2020 vs. 2019 Change**	**2019 vs. 2018 Change**
Operating activities	$ 31,018	$ 25,298	$ 27,986	$ 5,720	$ (2,688)
Investing activities	(8,415)	(4,287)	73,948	(4,128)	(78,235)
Financing activities	12,147	(56,699)	(87,914)	68,846	31,215
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 34,750	$ (35,688)	$ 14,020	$ 70,438	$ (49,708)

Year Ended December 31, 2020 compared to December 31, 2019

Operating Activities

Net cash provided by operating activities totaled $31.0 million for the year ended December 31, 2020, compared to $25.3 million for the year ended December 31, 2019. The increase in cash provided from operating activities was a result of the following:

- Collection of a regulatory reserve deposit for a healthcare facility;
- lower interest expense, due to lower debt principal balances and effective interest rates;
- lower cash interest payments due to deferred debt service under executed debt forbearance agreements; and
- lower asset management fees paid in cash.

Cash flow improvements were partially offset by lower rent and resident fee income as well as higher operating expenses as a result of the effects of the COVID-19 pandemic.

Investing Activities

Our cash flows from investing activities are generally used to fund investment improvements and follow-on investments, net of any investment dispositions. Net cash used in investing activities was $8.4 million for the year ended December 31, 2020 compared to $4.3 million for the year ended December 31, 2019. Cash flows used in investing activities for the year ended December 31, 2020 were primarily recurring capital expenditures for existing investments, partially offset by distributions received on our unconsolidated joint ventures. Cash flows used in investing activities for the year ended December 31, 2019 were primarily a contribution to the Diversified US/UK (formerly Griffin-American) joint venture, partially offset by the net proceeds generated from the sale of two net lease properties and a distribution received from the Envoy joint venture upon the sale of its underlying operating assets.

The following table presents cash used for capital expenditures, excluding our unconsolidated ventures (dollars in thousands):

Capital Expenditures	Year Ended December 31, 2020	Year Ended December 31, 2019	2020 vs. 2019 Change
Recurring	$ 15,214	$ 22,323	$ (7,109)

Recurring capital expenditures have decreased during the year ended December 31, 2020 as compared to the year ended December 31, 2019 as a result of limiting expenditures to life safety and essential projects, with selective approval of additional improvements, in response to COVID-19.

Financing Activities

For the year ended December 31, 2020, our cash flows from financing activities were principally impacted by borrowing $35.0 million under our Sponsor Line, partially offset by our repurchases of common stock and repayments on our mortgage notes payable, which were reduced as a result of forbearance agreements executed with lenders. Cash flows provided by financing activities was $12.1 million for the year ended December 31, 2020 compared to cash flows used in financing activities of $56.7 million for the year ended December 31, 2019. During the year ended December 31, 2019, the payment of dividends, repurchases of shares under our Share Repurchase Program and the repayment of a mortgage note payable upon the sale of two net lease properties were the primary drivers of financing cash flows.

Year Ended December 31, 2019 compared to December 31, 2018

Operating Activities

Net cash provided by operating activities totaled $25.3 million for the year ended December 31, 2019, compared to $28.0 million for the year ended December 31, 2018. The decrease was primarily attributable to the timing of property operating expense payments, which resulted in our operating properties having lower accounts payable and accrued expense balances as of December 31, 2019 as compared to December 31, 2018. Lower interest income due to the sale of our investment in the Freddie Mac securitization in March 2018 also contributed to the variance.

Investing Activities

Net cash used in investing activities was $4.3 million for the year ended December 31, 2019 compared to net cash provided by investing activities of $73.9 million for the year ended December 31, 2018. Cash flows used in investing activities for the year ended December 31, 2019 were primarily a contribution to the Diversified US/UK (formerly Griffin-American) joint venture and capital improvements to existing investments, partially offset by the proceeds from the sale of two net lease properties and distributions received from our investments in unconsolidated ventures. Cash flows provided by investing activities for the year ended December 31, 2018 were primarily attributable to the sale of an ownership interest in the Trilogy joint venture and the sale of our investment in the Freddie Mac securitization, partially offset by capital improvements to existing investments.

The following table presents cash used for capital expenditures during the year ended December 31, 2019 as compared to the year ended December 31, 2018, excluding capital expenditures made at our unconsolidated ventures (dollars in thousands):

Capital Expenditures	Year Ended December 31, 2019	Year Ended December 31, 2018	2019 vs. 2018 Change
Development projects	$ —	$ 4,382	$ (4,382)
Recurring	22,323	26,830	(4,507)
Total improvement of operating real estate investments	$ 22,323	$ 31,212	$ (8,889)

Financing Activities

Cash flows used in financing activities was $56.7 million for the year ended December 31, 2019 compared to $87.9 million for the year ended December 31, 2018. The decrease was primarily attributable to the suspension of dividends in February 2019 and amended Share Repurchase Program in October 2018, partially offset by a mortgage repayment upon the sale of two net lease properties in 2019.

Contractual Obligations and Commitments

The following table presents contractual obligations and commitments as of December 31, 2020 (dollars in thousands):

	Payments Due by Period				
		2021	2022 - 2023	2024 - 2025	2026 and Thereafter
	Total	Less than 1 year	1-3 years[5]	3-5 years[6]	More than 5 years
Mortgage and notes other payables[1]	$ 1,435,384	$ 79,696	$ 486,704	$ 690,708	$ 178,276
Estimated interest payments[2]	199,598	56,888	81,208	53,554	7,948
Advisor asset management fee[3]	66,462	11,077	22,154	22,154	11,077
Total[4]	$ 1,701,444	$ 147,661	$ 590,066	$ 766,416	$ 197,301

(1) Represents contractual amortization of principal and repayment upon contractual maturity.
(2) Estimated interest payments are based on the remaining life of the borrowings. Applicable LIBOR rate plus the respective spread as of December 31, 2020 was used to estimate payments for our floating-rate borrowings.
(3) Subject to certain restrictions and limitations, our Advisor is responsible for managing our affairs on a day-to-day basis and for identifying, originating, acquiring and managing investments on our behalf. For such services, our Advisor receives management fees from us based on our most recent net asset value. In addition, our advisory agreement must be renewed in June 2021 and may be renewed on different terms or may be terminated at any time, subject to notice requirements. As a result, the amount included in the table above is an estimate only and assumes the current net asset value and the continuation of our advisory agreement on its current terms. Included in the table is $10.0 million of advisor asset management fees per year that are payable in shares of our common stock. Refer to "—Related Party Arrangements" for additional information on our Advisor asset management fee.
(4) Excludes construction related and other commitments for future development.
(5) Total includes $523.8 million and $66.3 million for years ended December 31, 2022 and 2023, respectively.
(6) Total includes $66.3 million and $700.2 million for years ended December 31, 2024 and 2025, respectively.

Borrowings that are maturing in our unconsolidated ventures may require us to fund additional contributions if favorable refinancing is not obtained. We are not obligated to fund capital contributions, however our investment in the unconsolidated investment may be diluted and we may be prohibited from participating in future cash flows if we are unable to fund. In addition, our joint venture partners may be entitled to call additional capital under the governing documents of our joint ventures and certain of our operators and managers may require us to fund capital projects under our leases or management agreements. Although we may not be obligated to fund such capital contributions or capital projects, we may be subject to adverse consequences for any such failure to fund.

Off-Balance Sheet Arrangements

As of December 31, 2020, we are not dependent on the use of any off-balance sheet financing arrangements for liquidity. We have made investments in unconsolidated ventures. Refer to Note 4, "Investments in Unconsolidated Ventures" in Part II. Item 8. "Financial Statements and Supplementary Data" for a discussion of such unconsolidated ventures in our consolidated financial statements. In each case, our exposure to loss is limited to the carrying value of our investment.

Distributions Declared and Paid

We generally paid distributions on a monthly basis based on daily record dates on the first business day of the month following the month for which the distribution was accrued. From the date of our first investment on April 5, 2013 through December 31, 2017, we paid an annualized distribution amount of $0.675 per share of our common stock. Our board of directors approved a daily cash distribution of $0.000924658 per share of common stock, equivalent to an annualized distribution amount of $0.3375 per share, for the year ended December 31, 2018 and month ended January 31, 2019. Effective February 1, 2019, our board of directors determined to suspend distributions in order to preserve capital and liquidity.

The following table presents distributions declared (dollars in thousands):

	Year Ended December 31, 2020			Year Ended December 31, 2019	
Distributions[1]					
Cash	$	—		$ 2,991	
DRP		—		2,422	
Total	$	—		$ 5,413	
Sources of Distributions[1]					
FFO[2]	$	—	— %	$ 5,413	100 %
Offering proceeds - Other		—	— %	—	— %
Total	$	—	— %	$ 5,413	100 %
Cash Flow Provided by (Used in) Operations	$	31,018		$ 25,298	

(1) Represents distributions declared for such period, even though such distributions are actually paid to stockholders the month following such period.
(2) From inception of our first investment on April 5, 2013 through December 31, 2020, we declared $433.8 million in distributions. Cumulative FFO for the period from April 5, 2013 through December 31, 2020 was $128.6 million.

To the extent distributions are paid from sources other than FFO, the ownership interest of our public stockholders will be diluted. Future distributions declared and paid may exceed FFO and cash flow provided by operations. FFO, as defined, may not reflect actual cash available for distributions. Our ability to pay distributions from FFO or cash flow provided by operations depends upon our operating performance, including the financial performance of our investments in the current real estate and financial environment, the type and mix of our investments, accounting of our investments in accordance with U.S. GAAP, the performance of underlying debt and ability to maintain liquidity. We will continue to assess our distribution policy in light of our operating performance and capital needs.

Related Party Arrangements

Advisor

Subject to certain restrictions and limitations, our Advisor is responsible for managing our affairs on a day-to-day basis and for identifying, acquiring, originating and asset managing investments on our behalf. Our Advisor may delegate certain of its obligations to affiliated entities, which may be organized under the laws of the United States or foreign jurisdictions. References to our Advisor include our Advisor and any such affiliated entities. For such services, to the extent permitted by law and regulations, our Advisor receives fees and reimbursements from us. Pursuant to our advisory agreement, our Advisor may defer or waive fees in its discretion. Below is a description and table of the fees and reimbursements incurred to our Advisor.

In June 2020, our advisory agreement was renewed for an additional one-year term commencing on June 30, 2020, with terms identical to those in effect through June 30, 2020, but for the elimination of the disposition fees.

Fees to Advisor

Asset Management Fee

Effective January 1, 2018, our Advisor receives a monthly asset management fee equal to one-twelfth of 1.5% of our most recently published aggregate estimated net asset value, as may be subsequently adjusted for any special distribution declared by our board of directors in connection with a sale, transfer or other disposition of a substantial portion of our assets, with $2.5 million per calendar quarter of such fee paid in shares of our common stock at a price per share equal to the most recently published net asset value per share.

Our Advisor has also agreed that all shares of our common stock issued to it in consideration of the asset management fee will be subordinate in the Share Repurchase Program to shares of our common stock held by third party stockholders for a period of two years, unless our advisory agreement is earlier terminated.

Incentive Fee

Our Advisor is entitled to receive distributions equal to 15.0% of our net cash flows, whether from continuing operations, repayment of loans, disposition of assets or otherwise, but only after stockholders have received, in the aggregate, cumulative

distributions equal to their invested capital plus a 6.75% cumulative, non-compounded annual pre-tax return on such invested capital. From inception through December 31, 2020, our Advisor has not received any incentive fees.

Acquisition Fee

Effective January 1, 2018, our Advisor no longer receives an acquisition fee in connection with our acquisitions of real estate properties or debt investments.

Disposition Fee

For substantial assistance in connection with the sale of investments and based on the services provided, as determined by our independent directors, our Advisor could have received a disposition fee of 2.0% of the contract sales price of each property sold and 1.0% of the contract sales price of each debt investment sold. We did not pay a disposition fee upon the maturity, prepayment, workout, modification or extension of a debt investment unless there was a corresponding fee paid by our borrower, in which case the disposition fee was the lesser of: (i) 1.0% of the principal amount of the debt investment prior to such transaction; or (ii) the amount of the fee paid by our borrower in connection with such transaction. If we took ownership of a property as a result of a workout or foreclosure of a debt investment, we paid a disposition fee upon the sale of such property. A disposition fee from the sale of an investment was generally expensed and included in asset management and other fees - related party in our consolidated statements of operations. A disposition fee for a debt investment incurred in a transaction other than a sale was included in debt investments, net on our consolidated balance sheets and was amortized to interest income over the life of the investment using the effective interest method.

Effective June 30, 2020, our Advisor no longer has the potential to receive a disposition fee in connection with the sale of real estate properties or debt investments.

Reimbursements to Advisor

Operating Costs

Our Advisor is entitled to receive reimbursement for direct and indirect operating costs incurred by our Advisor in connection with administrative services provided to us. Our Advisor allocates, in good faith, indirect costs to us related to our Advisor's and its affiliates' employees, occupancy and other general and administrative costs and expenses in accordance with the terms of, and subject to the limitations contained in, the advisory agreement with our Advisor. The indirect costs include our allocable share of our Advisor's compensation and benefit costs associated with dedicated or partially dedicated personnel who spend all or a portion of their time managing our affairs, based upon the percentage of time devoted by such personnel to our affairs. The indirect costs also include rental and occupancy, technology, office supplies, travel and entertainment and other general and administrative costs and expenses. However, there is no reimbursement for personnel costs related to our executive officers (although there may be reimbursement for certain executive officers of our Advisor) and other personnel involved in activities for which our Advisor receives an acquisition fee or a disposition fee. Our Advisor allocates these costs to us relative to its and its affiliates' other managed companies in good faith and has reviewed the allocation with our board of directors, including our independent directors. Our Advisor updates our board of directors on a quarterly basis of any material changes to the expense allocation and provides a detailed review to the board of directors, at least annually, and as otherwise requested by the board of directors. We reimburse our Advisor quarterly for operating costs (including the asset management fee) based on a calculation, or the 2%/25% Guidelines, for the four preceding fiscal quarters not to exceed the greater of: (i) 2.0% of our average invested assets; or (ii) 25.0% of our net income determined without reduction for any additions to reserves for depreciation, loan losses or other similar non-cash reserves and excluding any gain from the sale of assets for that period. Notwithstanding the above, we may reimburse our Advisor for expenses in excess of this limitation if a majority of our independent directors determines that such excess expenses are justified based on unusual and non-recurring factors. We calculate the expense reimbursement quarterly based upon the trailing twelve-month period.

Summary of Fees and Reimbursements

The following tables present the fees and reimbursements incurred and paid to our Advisor (dollars in thousands):

Type of Fee or Reimbursement	Financial Statement Location	Due to Related Party as of December 31, 2019	Year Ended December 31, 2020		Due to Related Party as of December 31, 2020
			Incurred	Paid	
Fees to Advisor Entities[1]					
Asset management[2]	Asset management and other fees-related party	$ 1,477	$ 17,170	$ (17,724) [2]	$ 923
Reimbursements to Advisor Entities					
Operating costs[3]	General and administrative expenses	4,303	14,682	(11,590)	7,395
Total		$ 5,780	$ 31,852	$ (29,314)	$ 8,318

(1) Effective June 30, 2020, our Advisor no longer has the potential to receive a disposition fee in connection with the sale of real estate properties or debt investments. We did not incur any disposition fees during the year ended December 31, 2020, nor were any such fees outstanding as of December 31, 2020.
(2) Includes $9.7 million paid in shares of our common stock and a $0.3 million gain recognized on the settlement of the share-based payment.
(3) As of December 31, 2020, our Advisor did not have any unreimbursed operating costs which remained eligible to be allocated to us. For the year ended December 31, 2020, total operating expenses included in the 2%/25% Guidelines represented 0.4% of average invested assets and 58.9% of net loss without reduction for any additions to reserves for depreciation, loan losses or other similar non-cash reserves. Cost of capital is included in net proceeds from issuance of common stock in our consolidated statements of equity. For the year ended December 31, 2020, we did not incur any offering costs.

Type of Fee or Reimbursement	Financial Statement Location	Due to Related Party as of December 31, 2018	Year Ended December 31, 2019		Due to Related Party as of December 31, 2019
			Incurred	Paid	
Fees to Advisor Entities[1]					
Asset management[2]	Asset management and other fees-related party	$ 1,665	$ 19,789	$ (19,977) [2]	$ 1,477
Reimbursements to Advisor Entities					
Operating costs[3]	General and administrative expenses	4,010	11,892	(11,599)	4,303
Total		$ 5,675	$ 31,681	$ (31,576)	$ 5,780

(1) We did not incur any disposition fees during the year ended December 31, 2019, nor were any such fees outstanding as of December 31, 2019.
(2) Includes $9.9 million paid in shares of our common stock and a $0.1 million gain recognized on the settlement of the share-based payment.
(3) As of December 31, 2019, our Advisor did not have any unreimbursed operating costs which remained eligible to be allocated to us. For the year ended December 31, 2019, total operating expenses included in the 2%/25% Guidelines represented 0.3% of average invested assets and 61.8% of net loss without reduction for any additions to reserves for depreciation, loan losses or other similar non-cash reserves. Cost of capital is included in net proceeds from issuance of common stock in our consolidated statements of equity. For the year ended December 31, 2019, we did not incur any offering costs.

Pursuant to our advisory agreement, for the year ended December 31, 2020, we issued 1.6 million shares totaling $9.7 million, based on the estimated value per share on the date of each issuance, to an affiliate of our Advisor as part of its asset management fee. As of December 31, 2020, our Advisor, our Sponsor and their affiliates owned a total of 4.7 million shares or $18.3 million of our common stock based on our most recent estimated value per share. As of December 31, 2020, our Advisor, our Sponsor and their affiliates owned 2.1% of the total outstanding shares of our common stock.

Investments in Joint Ventures

Solstice, the manager of the Winterfell portfolio, is a joint venture between affiliates of ISL, who owns 80.0%, and us, who owns 20.0%. For the year ended December 31, 2020, we recognized property management fee expense of $5.0 million paid to Solstice related to the Winterfell portfolio.

The below table indicates our investments for which our Sponsor is also an equity partner in the joint venture. Each investment was approved by our board of directors, including all of its independent directors. Refer to Note 4, “Investments in Unconsolidated Ventures” of Part II, Item 8. “Financial Statements and Supplementary Data” for further discussion of these investments:

Portfolio	Partner(s)	Acquisition Date	Ownership
Eclipse	Colony Capital/ Formation Capital, LLC	May 2014	5.6%
Diversified US/UK (formerly Griffin-American)	Colony Capital	December 2014	14.3%

In connection with the acquisition of the Diversified US/UK (formerly Griffin-American) portfolio by NorthStar Realty Finance Corp., or NorthStar Realty, now a subsidiary of Colony Capital, and us, our Sponsor acquired a 43.0%, as adjusted, ownership interest in American Healthcare Investors, LLC, or AHI.

In December 2015, we, through a joint venture with GAHR3, a REIT sponsored and advised by AHI, acquired a 29.0% interest in the Trilogy portfolio, a $1.2 billion healthcare portfolio and contributed $201.7 million for our interest. The purchase was approved by our board of directors, including all of our independent directors. In October 2018, we sold 20.0% of our ownership interest in the Trilogy joint venture, which generated gross proceeds of $48.0 million and reduced our ownership interest in the joint venture from approximately 29% to 23%. We sold the ownership interest to a wholly-owned subsidiary of the operating partnership of GAHR4, a REIT sponsored by AHI.

Mezzanine Loan

In July 2015, we originated a $75.0 million mezzanine loan to a subsidiary of our joint venture with Formation and Safanad Management Limited, or the Espresso joint venture. In November 2019, we received a partial repayment of principal on the Espresso mezzanine loan totaling $0.8 million.

Effective December 31, 2020, we executed an amended and restated loan agreement with the borrower of the mezzanine loan debt investment. The terms set forth under the amended loan agreement include:

- a partial principal repayment totaling $5.0 million upon execution, which was received in January 2021, as well as the remittance of modification fees upon certain milestones;
- a fixed interest rate of 14.0%, effective February 2021, as well as the accrual of additional PIK interest based on outstanding principal balance thresholds;
- periodic principal repayments from the borrower's available cash flow; and
- an extension of the loan's maturity through January 2022.

Line of Credit - Related Party

In October 2017, we obtained our Sponsor Line for up to $15.0 million at an interest rate of 3.5% plus LIBOR. Our Sponsor Line has an initial one year term, with an extension option of six months. Our Sponsor Line was approved by our board of directors, including all of our independent directors.

In November 2017, the borrowing capacity under our Sponsor Line was increased to $35.0 million. In March 2018, our Sponsor Line maturity date was extended through December 2020 and in May 2019, the maturity date was further extended through December 2021. In July 2020, the maturity date was extended through December 2022.

In April 2020, we borrowed $35.0 million under the Sponsor Line to improve our liquidity position as a result of the COVID-19 pandemic.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are primarily subject to interest rate risk and credit risk. These risks are dependent on various factors beyond our control, including monetary and fiscal policies, domestic and international economic conditions and political considerations. Our market risk sensitive assets, liabilities and related derivative positions (if any) are held for investment and not for trading purposes.

Interest Rate Risk

Changes in interest rates may affect our net income as a result of changes in interest expense incurred in connection with floating-rate borrowings used to finance our equity investments. As of December 31, 2020, 14.1% of our total borrowings were floating rate liabilities and none of our real estate debt investments were floating rate investments. As of December 31, 2020, floating rate liabilities outstanding related to mortgage notes payable of our direct operating investments and our Sponsor Line.

Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings, prepayment penalties and cash flows and to lower overall borrowing costs by borrowing primarily at fixed rates or variable rates with the lowest margins available and by evaluating hedging opportunities.

For longer duration, relatively stable real estate cash flows, such as those derived from net lease assets, we seek to use fixed rate financing. For real estate cash flows with greater growth potential, such as operating properties, we may use floating rate

financing which provides prepayment flexibility and may provide a better match between underlying cash flow projections and potential increases in interest rates.

The interest rate on our floating-rate liabilities is a fixed spread over an index such as LIBOR and typically reprices every 30 days based on LIBOR in effect at the time. As of December 31, 2020, a hypothetical 100 basis point increase in interest rates would increase net interest expense by $2.1 million annually. We did not have any floating rate real estate debt investments as of December 31, 2020.

A change in interest rates could affect the value of our fixed-rate debt investments. For instance, an increase in interest rates would result in a higher required yield on investments, which would decrease the value on existing fixed-rate investments in order to adjust their yields to current market levels. As of December 31, 2020, we had one fixed-rate debt investment with an outstanding principal balance of $74.2 million.

In July 2017, the Chief Executive of the U.K. Financial Conduct Authority, or FCA, announced that the FCA intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR after 2021. This announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

The discontinuation of a benchmark rate or other financial metric, changes in a benchmark rate or other financial metric, or changes in market perceptions of the acceptability of a benchmark rate or other financial metric, including LIBOR, could, among other things result in increased interest payments, changes to our risk exposures, or require renegotiation of previous transactions. In addition, any such discontinuation or changes, whether actual or anticipated, could result in market volatility, adverse tax or accounting effects, increased compliance, legal and operational costs, and risks associated with contract negotiations.

Credit Risk

We are subject to the credit risk of the operators of our healthcare properties. We undertake a rigorous credit evaluation of each healthcare operator prior to acquiring healthcare properties. This analysis includes an extensive due diligence investigation of the operator's business as well as an assessment of the strategic importance of the underlying real estate to the operator's core business operations. Where appropriate, we may seek to augment the operator's commitment to the facility by structuring various credit enhancement mechanisms into the underlying leases. These mechanisms could include security deposit requirements or guarantees from entities we deem creditworthy. In addition, we actively monitor lease coverage at each facility within our healthcare portfolio. The extent of pending or future healthcare regulation may have a material impact on the valuation and financial performance of this portion of our portfolio.

Credit risk in our debt investment relates to the borrower's ability to make required interest and principal payments on scheduled due dates. We seek to manage credit risk through our Advisor's comprehensive credit analysis prior to making an investment, actively monitoring our portfolio and the underlying credit quality, including subordination and diversification of our portfolio. Our analysis is based on a broad range of real estate, financial, economic and borrower-related factors which we believe are critical to the evaluation of credit risk inherent in a transaction.

As of December 31, 2020, one borrower, a subsidiary of the Espresso joint venture, accounted for 100.0% of the aggregate principal amount of our debt investments and 100.0% of our interest income for the year ended December 31, 2020. We continue to assess the collectability of principal and interest and monitor the status of the sub-portfolios and senior lenders within the joint venture. The debt investment matures in January 2022 and if the borrower is not able to refinance with another lender or otherwise repay the principal amount at its stated maturity, we may have to negotiate modifications to the loan agreement, which may delay our ability to realize liquidity from this investment.

Risk Concentration

The following table presents the operators and managers of our properties, excluding properties owned through unconsolidated joint ventures (dollars in thousands):

Operator / Manager		Properties Under Management	Units Under Management[1]	Year Ended December 31, 2020 Property and Other Revenues[2]	% of Total Property and Other Revenues
Watermark Retirement Communities		30	5,265	$ 138,708	50.3 %
Solstice Senior Living	(3)	32	4,000	101,054	36.7 %
Avamere Health Services		5	453	17,367	6.3 %
Arcadia Management		4	572	10,615	3.9 %
Integral Senior Living	(4)	1	44	7,405	2.7 %
Senior Lifestyle Corporation	(5)	1	63	—	— %
Other	(6)	—	—	199	0.1 %
Total		73	10,397	$ 275,348	100.0 %

(1) Represents rooms for ALFs and ILFs and beds for MCFs and SNFs, based on predominant type.
(2) Includes rental income received from our net lease properties, as well as rental income, ancillary service fees and other related revenue earned from ILF residents and resident fee income derived from our ALFs, MCFs and CCRCs, which includes resident room and care charges, ancillary fees and other resident service charges.
(3) Solstice is a joint venture of which affiliates of ISL own 80%.
(4) Property count and units excludes two ISL properties designated as held for sale as of December 31, 2020.
(5) Operator has failed to remit rental payments during the year ended December 31, 2020.
(6) Consists primarily of interest income earned on corporate-level cash accounts.

Watermark Retirement Communities and Solstice, together with their affiliates, manage substantially all of our operating properties. As a result, we are dependent upon their personnel, expertise, technical resources and information systems, proprietary information, good faith and judgment to manage our properties efficiently and effectively. Through our 20.0% ownership of Solstice, we are entitled to certain rights and minority protections. As Solstice is a joint venture formed exclusively to operate the Winterfell portfolio, Solstice has generated, and may continue to generate, operating losses if declines in occupancy and operating revenues at our Winterfell portfolio continue.

The lease for the properties operated by Watermark Retirement Communities ("Watermark") expires in March 2022. We may not be able to renew the lease with Watermark at the same rent, or at all, and it may also be difficult to find a replacement operator to operate these properties.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements of NorthStar Healthcare Income, Inc. and the notes related to the foregoing consolidated financial statements, together with the independent registered public accounting firm's report thereon are included in this Item 8.

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

NorthStar Healthcare Income, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of NorthStar Healthcare Income, Inc. (a Maryland corporation) and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and financial statement schedules included under Item 15(a) (collectively referred to as the "financial statements"). In our opinion, based on our audits and the report of other auditors, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Healthcare GA Holdings, General Partnership ("Griffin - American"), a joint venture, which is accounted for under the equity method of accounting. The equity in its net loss was $35.4 million, $4.5 million and $12.7 million of consolidated equity in earnings (losses) of unconsolidated ventures for the years ended December 31, 2020, 2019, and 2018 respectively. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Griffin - American, is based solely on the report of the other auditors.

Basis for opinion

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

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

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

Critical audit matters

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

Impairment of Operating Real Estate Assets

As described in Note 3 to the financial statements, the Company's consolidated operating real estate assets, net carrying value was $1.48 billion as of December 31, 2020 including impairment losses related to operating real estate assets of $166.0 million recorded during the year ended December 31, 2020. The Company reviews its real estate portfolio quarterly, or more frequently as necessary, to assess whether there are any indicators that the value of its operating real estate may be impaired or that its carrying value may not be recoverable. We identified the Company's quantitative impairment assessment for operating real estate assets as a critical audit matter.

The principal consideration for our determination that the impairment of operating real estate assets is a critical audit matter is that the Company's impairment assessment is highly judgmental due to the significant estimation involved in assessing the expected discounted future cash flows of the operating real estate assets. This includes the determination of inputs and assumptions such as discount rates, capitalization rates, revenue growth rates, property-level cash flows and market rent assumptions, among others.

Our audit procedures related to the impairment of operating real estate assets included the following, among others:

- We obtained an understanding and evaluated the design and implementation of controls performed by management relating to the impairment of operating real estate assets, which included controls over management's development and review of the significant inputs and assumptions used in the estimates described above.

- We obtained the Company's quantitative impairment analysis and for a selection of operating properties assessed the methodologies used by management and evaluated the significant assumptions described above. The key inputs used in the assessment were substantiated through property operating budgets and other relevant underlying data. We compared the significant assumptions used to estimate future cash flows to current industry forecasts, economic trends and past performance, and tested the arithmetic accuracy of management's calculations.

- We involved firm specialists in assessing the reasonableness of the valuation models for a selection of operating properties and performed sensitivity analyses on certain of the significant inputs and assumptions described above.

Impairment of Goodwill

As described in Note 2 to the financial statements, the Company performs an annual impairment test for goodwill on its Watermark Fountains Portfolio – Operating reporting unit and evaluates the recoverability whenever events or changes in circumstances indicate that the carrying value of goodwill may not be fully recoverable. We identified the Company's quantitative goodwill impairment assessment for the Watermark Fountains – Operating reporting unit as a critical audit matter.

The principal consideration for our determination that the impairment of goodwill is a critical audit matter is that the Company's impairment assessment is highly judgmental due to the significant estimation involved in assessing the expected future cash flows of the reporting unit. This includes the determination of inputs and assumptions such as discount rates, capitalization rates, revenue growth rates, property-level cash flows and market rent assumptions, among others.

Our audit procedures related to the impairment of the Watermark Fountains – Operating reporting unit included the following, among others:

- We obtained an understanding and evaluated the design and implementation of controls performed by management relating to the impairment of goodwill, which included controls over management's development and review of the significant inputs and assumptions used in the estimates described above.

- We obtained the Company's quantitative impairment analysis and for a selection of operating properties within the reporting unit we assessed the methodologies used by management and evaluated the significant assumptions described above. The key inputs used in the assessment were substantiated through property operating budgets and other relevant underlying data. We compared the significant assumptions used to estimate future cash flows to current industry forecasts, economic trends and past performance, and tested the arithmetic accuracy of management's calculations.

- We involved firm specialists in assessing the reasonableness of the valuation models prepared by the Company's third-party specialists for a selection of operating properties within the reporting unit and performed sensitivity analyses on certain of the significant inputs and assumptions described above.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2010.

New York, New York

March 23, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of Healthcare GA Holdings, General Partnership

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Healthcare GA Holdings, General Partnership (the "Partnership") as of December 31, 2020, the related consolidated statement of operations, comprehensive income (loss), changes in partners' equity, and cash flows for the year ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Partnership at December 31, 2020, and the results of its operations and its cash flows for the year ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Supplementary Information

The accompanying other financial information, including the Healthcare GA Holdings, General Partnership Consolidated Financial Statements – Historical Basis of NorthStar Healthcare Income, Inc., have been subjected to audit procedures performed in conjunction with the audit of the Partnership's financial statements. This information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of the Partnership's management. Our audit procedures included determining whether the information reconciles to the consolidated financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

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

Critical Audit Matters

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

Real Estate Impairment

Description of the matter

As more fully disclosed in Note 1 and 3 to the consolidated financial statements, the Partnership evaluates its real estate held for investment for impairment periodically or whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. During the year ended December 31, 2020, the Partnership recorded approximately $508.8 million in impairment losses related to real estate assets classified as held for investment that are not expected to be recovered through future undiscounted cash flows.

Auditing the Partnership's assessment of the recoverability of its real estate assets is highly judgmental due to the significant estimation in assessing the current and estimated future cash flows, the anticipated hold period, and the exit capitalization rates for the Partnership's real estate assets.

How we addressed the matter in our audit

We obtained an understanding, and evaluated the design and tested the operating effectiveness of controls over the Partnership's process to evaluate the recoverability and estimate the fair value of its real estate assets, including controls over management's development and review of the significant inputs and assumptions used in the estimates.

To test management's assessment for those real estate assets where there were indicators of impairment, we performed audit procedures that included, corroborating probability weighted hold periods with market conditions, giving consideration to management's plans, comparing the significant data and assumptions used to estimate future cash flows and estimate the fair values to the Partnership's accounting records, current industry and economic trends, or other third-party data and testing the mathematical accuracy of management's calculations. On a sample basis, we also involved our valuation specialists to assist in evaluating the reasonableness of significant assumptions and methodologies used in the impairment assessments, including assessing consistency of such assumptions with external data sources and evaluating management's fair value estimate.

/s/ Ernst & Young LLP

We have served as the Partnership's auditor since 2017.

Los Angeles, California

March 19, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of Healthcare GA Holdings, General Partnership

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Healthcare GA Holdings, General Partnership (the Partnership) as of December 31, 2019, the related consolidated statement of operations, comprehensive income (loss), changes in partners' equity, and cash flows for the year ended December 31, 2019, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Partnership at December 31, 2019, and the results of its operations and its cash flows for the year ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

Supplementary Information

The accompanying other financial information, including the Healthcare GA Holdings, General Partnership Consolidated Financial Statements - Historical Basis of NorthStar Healthcare Income, Inc., have been subjected to audit procedures performed in conjunction with the audit of the Partnership's financial statements. Such information is the responsibility of the Partnership's management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

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

/s/ Ernst & Young LLP

We have served as the Partnership's auditor since 2017.

New York, New York
March 20, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of Healthcare GA Holdings, General Partnership

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Healthcare GA Holdings, General Partnership (the Partnership) as of December 31, 2018, the related consolidated statement of operations, comprehensive income (loss), changes in partners' equity, and cash flows for the year ended December 31, 2018, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Partnership at December 31, 2018, and the results of its operations and its cash flows for the year ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

The Partnership's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Partnership will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Partnership has pending debt maturities in 2019 and has stated that substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Supplementary Information

The accompanying other financial information, including the Healthcare GA Holdings, General Partnership Consolidated Financial Statements - Historical Basis of NorthStar Healthcare Income, Inc., have been subjected to audit procedures performed in conjunction with the audit of the Partnership's financial statements. Such information is the responsibility of the Partnership's management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

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

/s/ Ernst & Young LLP

We have served as the Partnership's auditor since 2017.

New York, New York
March 21, 2019

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands, Except Share Data)

	December 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents	$ 65,995	$ 41,884
Restricted cash	27,575	16,936
Operating real estate, net	1,483,930	1,700,218
Investments in unconsolidated ventures	229,173	268,894
Real estate debt investments, net	55,864	55,468
Assets held for sale	5,000	1,649
Receivables, net	14,735	13,314
Goodwill and intangible assets, net	26,483	28,355
Other assets	9,681	14,489
Total assets[(1)]	$ 1,918,436	$ 2,141,207
Liabilities		
Mortgage and other notes payable, net	$ 1,416,871	$ 1,431,922
Line of credit - related party	35,000	—
Due to related party	8,318	5,780
Escrow deposits payable	3,851	3,292
Accounts payable and accrued expenses	38,393	28,135
Other liabilities	3,941	4,574
Total liabilities[(1)]	1,506,374	1,473,703
Commitments and contingencies (Note 14)		
Equity		
NorthStar Healthcare Income, Inc. Stockholders' Equity		
Preferred stock, $0.01 par value, 50,000,000 shares authorized, no shares issued and outstanding as of December 31, 2020 and December 31, 2019	—	—
Common stock, $0.01 par value, 400,000,000 shares authorized, 190,409,341 and 189,111,561 shares issued and outstanding as of December 31, 2020 and December 31, 2019, respectively	1,904	1,891
Additional paid-in capital	1,710,023	1,702,260
Retained earnings (accumulated deficit)	(1,302,755)	(1,041,297)
Accumulated other comprehensive income (loss)	467	(470)
Total NorthStar Healthcare Income, Inc. stockholders' equity	409,639	662,384
Non-controlling interests	2,423	5,120
Total equity	412,062	667,504
Total liabilities and equity	$ 1,918,436	$ 2,141,207

(1) Represents the consolidated assets and liabilities of NorthStar Healthcare Income Operating Partnership, LP (the "Operating Partnership"). The Operating Partnership is a consolidated variable interest entity ("VIE"), of which the Company is the sole general partner and owns approximately 99.99%. As of December 31, 2020, the Operating Partnership includes $0.5 billion and $0.5 billion of assets and liabilities, respectively, of certain VIEs that are consolidated by the Operating Partnership. Refer to Note 2, "Summary of Significant Accounting Policies."

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Thousands, Except Per Share Data)

	Year Ended December 31,		
	2020	2019	2018
Property and other revenues			
Resident fee income	$ 118,126	$ 130,135	$ 129,855
Rental income	157,024	161,084	159,481
Other revenue	198	1,959	4,935
Total property and other revenues	275,348	293,178	294,271
Net interest income			
Interest income on debt investments	7,674	7,703	7,706
Interest income on mortgage loans held in a securitized trust	—	—	5,149
Interest expense on mortgage obligations issued by a securitization trust	—	—	(3,824)
Net interest income	7,674	7,703	9,031
Expenses			
Real estate properties - operating expenses	184,178	181,214	188,761
Interest expense	65,991	68,896	70,196
Other expenses related to securitization trust	—	—	811
Transaction costs	65	122	888
Asset management and other fees - related party	17,170	19,789	23,478
General and administrative expenses	16,505	12,761	14,390
Depreciation and amortization	65,006	70,989	107,133
Impairment loss	165,968	27,554	36,277
Total expenses	514,883	381,325	441,934
Other income (loss)			
Other income	1,840	—	—
Realized gain (loss) on investments and other	302	6,314	20,243
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax expense	(229,719)	(74,130)	(118,389)
Equity in earnings (losses) of unconsolidated ventures	(34,466)	(3,545)	(33,517)
Income tax expense	(53)	(75)	(114)
Net income (loss)	(264,238)	(77,750)	(152,020)
Net (income) loss attributable to non-controlling interests	2,780	790	442
Net income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	$ (261,458)	$ (76,960)	$ (151,578)
Net income (loss) per share of common stock, basic/diluted	$ (1.38)	$ (0.41)	$ (0.81)
Weighted average number of shares of common stock outstanding, basic/diluted	189,573,204	189,054,270	187,501,302
Distributions declared per share of common stock	$ —	$ 0.03	$ 0.34

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Dollars in Thousands)

	Year Ended December 31,		
	2020	**2019**	**2018**
Net income (loss)	$ (264,238)	$ (77,750)	$ (152,020)
Other comprehensive income (loss)			
Foreign currency translation adjustments related to investment in unconsolidated venture	937	1,814	(1,968)
Total other comprehensive income (loss)	937	1,814	(1,968)
Comprehensive income (loss)	(263,301)	(75,936)	(153,988)
Comprehensive (income) loss attributable to non-controlling interests	2,780	790	442
Comprehensive income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	$ (260,521)	$ (75,146)	$ (153,546)

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(Dollars and Shares in Thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Company's Stockholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount						
Balance as of December 31, 2017	186,709	$ 1,867	$ 1,681,040	$ (744,090)	$ (316)	$ 938,501	$ 6,298	$ 944,799
Share-based payment of advisor asset management fees	1,078	11	9,019	—	—	9,030	—	9,030
Issuance and amortization of equity-based compensation	21	—	174	—	—	174	—	174
Amortization of equity-based compensation	—	—	—	—	—	—	—	—
Non-controlling interests - contributions	—	—	—	—	—	—	484	484
Non-controlling interests - distributions	—	—	—	—	—	—	(641)	(641)
Shares redeemed for cash	(3,275)	(33)	(25,874)	—	—	(25,907)	—	(25,907)
Distributions declared	—	—	—	(63,256)	—	(63,256)	—	(63,256)
Proceeds from distribution reinvestment plan	3,962	40	33,639	—	—	33,679	—	33,679
Other comprehensive income (loss)	—	—	—	—	(1,968)	(1,968)	—	(1,968)
Net income (loss)	—	—	—	(151,578)	—	(151,578)	(442)	(152,020)
Balance as of December 31, 2018	188,495	$ 1,885	$ 1,697,998	$ (958,924)	$ (2,284)	$ 738,675	$ 5,699	$ 744,374
Share-based payment of advisor asset management fees	1,408	14	9,885	—	—	9,899	—	9,899
Issuance and amortization of equity-based compensation	35	—	239	—	—	239	—	239
Non-controlling interests - contributions	—	—	—	—	—	—	505	505
Non-controlling interests - distributions	—	—	—	—	—	—	(294)	(294)
Shares redeemed for cash	(1,514)	(15)	(10,731)	—	—	(10,746)	—	(10,746)
Distributions declared	—	—	—	(5,413)	—	(5,413)	—	(5,413)
Proceeds from distribution reinvestment plan	687	7	4,869			4,876	—	4,876
Other comprehensive income (loss)	—	—	—	—	1,814	1,814	—	1,814
Net income (loss)	—	—	—	(76,960)	—	(76,960)	(790)	(77,750)
Balance as of December 31, 2019	189,111	$ 1,891	$ 1,702,260	$ (1,041,297)	$ (470)	$ 662,384	$ 5,120	$ 667,504
Share-based payment of advisor asset management fees	1,600	16	9,669	—	—	9,685	—	9,685
Issuance and amortization of equity-based compensation	29	—	169		—	169	—	169
Non-controlling interests - contributions	—	—	—	—	—	—	234	234
Non-controlling interests - distributions	—	—	—	—	—	—	(151)	(151)
Shares redeemed for cash	(331)	(3)	(2,075)	—	—	(2,078)	—	(2,078)
Other comprehensive income (loss)	—	—	—	—	937	937	—	937
Net income (loss)	—	—	—	(261,458)	—	(261,458)	(2,780)	(264,238)
Balance as of December 31, 2020	190,409	$ 1,904	$ 1,710,023	$ (1,302,755)	$ 467	$ 409,639	$ 2,423	$ 412,062

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	Year Ended December 31,		
	2020	2019	2018
Cash flows from operating activities:			
Net income (loss)	$ (264,238)	$ (77,750)	$ (152,020)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Equity in (earnings) losses of unconsolidated ventures	34,466	3,545	33,517
Depreciation and amortization	65,006	70,989	107,133
Impairment loss	165,968	27,554	36,277
Capitalized interest for mortgage and other notes payable	222	193	—
Amortization of below market debt	3,090	3,015	2,932
Straight-line rental income, net and amortization of lease inducements	441	(467)	440
Amortization of discount/accretion of premium on investments	(125)	(113)	(101)
Amortization of deferred financing costs	1,887	1,850	1,946
Amortization of equity-based compensation	169	239	174
Realized (gain) loss on investments and other	(302)	(6,314)	(20,243)
Allowance for uncollectible accounts	2,371	801	3,172
Issuance of common stock as payment for asset management fees	9,685	9,899	9,030
Changes in assets and liabilities:			
Receivables	(4,233)	691	1,219
Other assets	4,859	(629)	645
Due to related party	2,853	204	4,766
Escrow deposits payable	559	(1,087)	563
Accounts payable and accrued expenses	8,479	(6,647)	(2,205)
Other liabilities	(139)	(675)	741
Net cash provided by operating activities	31,018	25,298	27,986
Cash flows from investing activities:			
Capital expenditures for operating real estate	(15,214)	(22,323)	(31,212)
Sale of operating real estate	927	19,618	11,784
Sale of healthcare-related securities	—	—	35,771
Repayment of real estate debt investment	—	818	—
Investment in unconsolidated ventures	—	(39,801)	(4,470)
Sale of ownership interest in unconsolidated ventures	—	—	47,813
Distributions from unconsolidated ventures	5,923	35,922	12,672
Other assets	(51)	1,479	1,590
Net cash (used in) provided by investing activities	(8,415)	(4,287)	73,948
Cash flows from financing activities:			
Borrowings from mortgage notes	—	12,800	—
Repayment of mortgage notes	(20,250)	(51,734)	(25,979)
Borrowings from line of credit - related party	35,000	—	—
Payment of deferred financing costs	—	(708)	(283)
Debt extinguishment costs	—	—	(97)
Payments under finance leases	(608)	(585)	(610)
Shares redeemed for cash	(2,078)	(10,746)	(25,907)
Distributions paid on common stock	—	(10,813)	(68,560)
Proceeds from distribution reinvestment plan	—	4,876	33,679
Contributions from non-controlling interests	234	505	484
Distributions to non-controlling interests	(151)	(294)	(641)
Net cash provided by (used in) financing activities	12,147	(56,699)	(87,914)
Net increase (decrease) in cash, cash equivalents and restricted cash	34,750	(35,688)	14,020
Cash, cash equivalents and restricted cash-beginning of period	58,820	94,508	80,488
Cash, cash equivalents and restricted cash-end of period	$ 93,570	$ 58,820	$ 94,508

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Dollars in Thousands)

	Year Ended December 31,		
	2020	2019	2018
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 53,140	$ 64,163	$ 64,568
Cash paid for income taxes	10	28	187
Supplemental disclosure of non-cash investing and financing activities:			
Accrued distribution payable	$ —	$ —	$ 5,400
Accrued capital expenditures	1,779	2,378	1,456
Assets acquired under finance leases	112	—	2,108
Reclassification of assets held for sale	5,000	—	2,183
Deconsolidation of securitization trust (VIE asset/liability)	—	—	512,772

Refer to accompanying notes to consolidated financial statements.

1. Business and Organization

NorthStar Healthcare Income, Inc., together with its consolidated subsidiaries (the "Company"), was formed to acquire, originate and asset manage a diversified portfolio of equity, debt and securities investments in healthcare real estate, directly or through joint ventures, with a focus on the mid-acuity seniors housing sector, which the Company defines as assisted living ("ALF"), memory care ("MCF"), skilled nursing ("SNF"), independent living ("ILF") facilities and continuing care retirement communities ("CCRC"), which may have independent living, assisted living, skilled nursing and memory care available on one campus. The Company also invests in other healthcare property types, including medical office buildings ("MOB"), hospitals, rehabilitation facilities and ancillary healthcare services businesses. The Company's investments are predominantly in the United States, but it also selectively makes international investments.

The Company was formed in October 2010 as a Maryland corporation and commenced operations in February 2013. The Company elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), commencing with the taxable year ended December 31, 2013. The Company conducts its operations so as to continue to qualify as a REIT for U.S. federal income tax purposes.

Substantially all of the Company's business is conducted through NorthStar Healthcare Income Operating Partnership, LP (the "Operating Partnership"). The Company is the sole general partner of the Operating Partnership. The limited partners of the Operating Partnership are NorthStar Healthcare Income Advisor, LLC (the "Prior Advisor") and NorthStar Healthcare Income OP Holdings, LLC (the "Special Unit Holder"), each an affiliate of the Company's sponsor. The Prior Advisor invested $1,000 in the Operating Partnership in exchange for common units and the Special Unit Holder invested $1,000 in the Operating Partnership and was issued a separate class of limited partnership units (the "Special Units"), which are collectively recorded as non-controlling interests on the accompanying consolidated balance sheets as of December 31, 2020 and December 31, 2019. As the Company issued shares, it contributed substantially all of the proceeds from its continuous, public offerings to the Operating Partnership as a capital contribution. As of December 31, 2020, the Company's limited partnership interest in the Operating Partnership was 99.99%.

The Company's charter authorizes the issuance of up to 400.0 million shares of common stock with a par value of $0.01 per share and up to 50.0 million shares of preferred stock with a par value of $0.01 per share. The board of directors of the Company is authorized to amend its charter, without the approval of the stockholders, to increase the aggregate number of authorized shares of capital stock or the number of shares of any class or series that the Company has authority to issue.

The Company is externally managed and has no employees. The Company is sponsored by Colony Capital, Inc. (NYSE: CLNY) ("Colony Capital" or the "Sponsor"), a leading global investment management firm.

Colony Capital manages capital on behalf of its stockholders, as well as institutional and retail investors in private funds and non-traded and traded REITs. The Company's advisor, CNI NSHC Advisors, LLC (the "Advisor"), is a subsidiary of Colony Capital and manages its day-to-day operations pursuant to an advisory agreement.

From inception through December 31, 2020, the Company raised total gross proceeds from the sale of shares of common stock totaling $2.0 billion (the "Offering"), including $232.6 million pursuant to its distribution reinvestment plan (the "DRP").

Impact of COVID-19

At the time of preparation of this Annual Report on Form 10-K, the world continues to face a global pandemic, the coronavirus 2019 ("COVID-19"). Efforts to address the pandemic continue to significantly impact economic and financial markets globally and across all facets of industries, including real estate. Specifically, the Company's healthcare real estate business and investments have experienced a myriad of challenges, including, but not limited to, declines in resident occupancy and operating cash flows, increases in cost burden faced by operators, lease concessions sought by tenants, and a stressed market affecting real estate values in general. Most of these COVID-19 effects on the Company's business significantly impacted results of operations beginning with the three months ended June 30, 2020, and continued throughout the remainder of the year 2020. At this time, the Company anticipates these effects to be sustained and continue in future periods. While the Company itself has the ability to meet its near term liquidity needs, general market concerns over credit and liquidity continue to permeate in an economic downturn environment. The effects of COVID-19 may also lead to heightened risk of litigation at the investment and corporate level, with an ensuing increase in litigation and related costs.

If a general economic downturn resulting from efforts to contain COVID-19 persists over an extended period of time, this could have a prolonged negative impact on the Company's financial condition and results of operations. At this time, as the extent and

duration of the increasingly broad effects of COVID-19 on the global economy remain unclear, it is difficult for the Company to assess and estimate the impact on the Company's results of operations with any meaningful precision. Accordingly, any estimates of the effects of COVID-19 as reflected and or discussed in these financial statements are based upon the Company's best estimates using information known to the Company as of the date of this Annual Report on Form 10-K, and such estimates may change, the effects of which could be material. The Company will continue to monitor the progression of COVID-19 and reassess its effects on the Company's results of operations and recoverability in value across its assets as conditions change.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements and related notes of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

Reclassifications

Certain prior period amounts have been reclassified on the consolidated statements of cash flows from the supplemental disclosure of non-cash investing and financing activities to adjustments to reconcile net income (loss) to net cash provided by operating activities to conform to current period presentation.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, the Operating Partnership and their consolidated subsidiaries. The Company consolidates entities in which it has a controlling financial interest by first considering if an entity meets the definition of a variable interest entity ("VIE") for which the Company is deemed to be the primary beneficiary or if the Company has the power to control an entity through majority voting interest or other arrangements. All significant intercompany balances are eliminated in consolidation.

Variable Interest Entities

A VIE is an entity that lacks one or more of the characteristics of a voting interest entity. A VIE is defined as an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The determination of whether an entity is a VIE includes both a qualitative and quantitative analysis. The Company bases its qualitative analysis on its review of the design of the entity, its organizational structure including decision-making ability and relevant financial agreements and the quantitative analysis on the forecasted cash flow of the entity. The Company reassesses its initial evaluation of an entity as a VIE upon the occurrence of certain reconsideration events.

A VIE must be consolidated only by its primary beneficiary, which is defined as the party who, along with its affiliates and agents, has both the: (i) power to direct the activities that most significantly impact the VIE's economic performance; and (ii) obligation to absorb the losses of the VIE or the right to receive the benefits from the VIE, which could be significant to the VIE. The Company determines whether it is the primary beneficiary of a VIE by considering qualitative and quantitative factors, including, but not limited to: which activities most significantly impact the VIE's economic performance and which party controls such activities; the amount and characteristics of its investment; the obligation or likelihood for the Company or other interests to provide financial support; consideration of the VIE's purpose and design, including the risks the VIE was designed to create and pass through to its variable interest holders and the similarity with and significance to the business activities of the Company and the other interests. The Company reassesses its determination of whether it is the primary beneficiary of a VIE each reporting period. Judgments related to these determinations include estimates about the current and future fair value and performance of investments held by these VIEs and general market conditions.

The Company evaluates its investments and financings, including investments in unconsolidated ventures and securitization financing transactions to determine whether each investment or financing is a VIE. The Company analyzes new investments and financings, as well as reconsideration events for existing investments and financings, which vary depending on type of investment or financing.

As of December 31, 2020, the Company has identified certain consolidated and unconsolidated VIEs. Assets of each of the VIEs, other than the Operating Partnership, may only be used to settle obligations of the respective VIE. Creditors of each of the VIEs have no recourse to the general credit of the Company.

Consolidated VIEs

The most significant consolidated VIEs are the Operating Partnership and certain properties that have non-controlling interests. These entities are VIEs because the non-controlling interests do not have substantive kick-out or participating rights. The Operating Partnership consolidates certain properties that have non-controlling interests. Included in operating real estate, net on the Company's consolidated balance sheets as of December 31, 2020 is $494.3 million related to such consolidated VIEs. Included in mortgage and other notes payable, net on the Company's consolidated balance sheet as of December 31, 2020 is $459.4 million, collateralized by the real estate assets of the related consolidated VIEs.

Investing VIEs

The Company's investment in a securitization financing entity ("Investing VIE") consisted of subordinate first-loss certificates in a securitization trust, generally referred to as Class B certificates, which represents interests in such VIE. Investing VIEs are structured as pass through entities that receive principal and interest payments from the underlying debt collateral assets and distribute those payments to the securitization trust's certificate holders, including the Class B certificates. A securitization trust will name a directing certificate holder, who is generally afforded the unilateral right to terminate and appoint a replacement for the special servicer, and as such may qualify as the primary beneficiary of the trust.

The Company held Class B certificates in an Investing VIE for which the Company had determined it was the primary beneficiary because it had the power to direct the activities that most significantly impacted the economic performance of the securitization trust. As a result, all of the assets, liabilities (obligations to the certificate holders of the securitization trust, less the Company's retained interest from the Class B certificates of the securitization), income and expense of the entire Investing VIE were presented in the consolidated financial statements of the Company as required by U.S. GAAP. The Company's Class B certificates, which represented the retained interest and related interest income, were eliminated in consolidation. Regardless of the presentation, the Company's consolidated financial statements of operations ultimately reflect the net income attributable to its retained interest in the Class B certificates.

In March 2018, the Company sold the Class B certificates of its consolidated Investing VIE, relinquishing its rights as directing certificate holder. As a result, the Company was no longer deemed the primary beneficiary of the securitization trust and, accordingly, did not present the assets or liabilities of the securitization trust on its consolidated balance sheets as of December 31, 2019 and December 31, 2018. The Company has presented the income and expenses of the securitization trust on its consolidated statements of operations for the periods that the Company owned the Class B certificates and was considered the primary beneficiary in 2018.

Unconsolidated VIEs

As of December 31, 2020, the Company identified unconsolidated VIEs related to its real estate equity investments with a carrying value of $229.2 million. The Company's maximum exposure to loss as of December 31, 2020 would not exceed the carrying value of its investment in the VIEs and its investment in a mezzanine loan to a subsidiary of one of the VIEs. Based on management's analysis, the Company determined that it is not the primary beneficiary of these VIEs and, accordingly, they are not consolidated in the Company's financial statements as of December 31, 2020. The Company did not provide financial support to its unconsolidated VIEs during the year ended December 31, 2020. As of December 31, 2020, there were no explicit arrangements or implicit variable interests that could require the Company to provide financial support to its unconsolidated VIEs.

Voting Interest Entities

A voting interest entity is an entity in which the total equity investment at risk is sufficient to enable it to finance its activities independently and the equity holders have the power to direct the activities of the entity that most significantly impact its economic performance, the obligation to absorb the losses of the entity and the right to receive the residual returns of the entity. The usual condition for a controlling financial interest in a voting interest entity is ownership of a majority voting interest. If the Company has a majority voting interest in a voting interest entity, the entity will generally be consolidated. The Company does not consolidate a voting interest entity if there are substantive participating rights by other parties and/or kick-out rights by a single party or through a simple majority vote.

The Company performs on-going reassessments of whether entities previously evaluated under the voting interest framework have become VIEs, based on certain events, and therefore subject to the VIE consolidation framework.

Investments in Unconsolidated Ventures

A non-controlling, unconsolidated ownership interest in an entity may be accounted for using the equity method or the Company may elect the fair value option.

The Company will account for an investment under the equity method of accounting if it has the ability to exercise significant influence over the operating and financial policies of an entity, but does not have a controlling financial interest. Under the equity method, the investment is adjusted each period for capital contributions and distributions and its share of the entity's net income (loss). Capital contributions, distributions and net income (loss) of such entities are recorded in accordance with the terms of the governing documents. An allocation of net income (loss) may differ from the stated ownership percentage interest in such entity as a result of preferred returns and allocation formulas, if any, as described in such governing documents. Equity method investments are recognized using a cost accumulation model, in which the investment is recognized based on the cost to the investor, which includes acquisition fees. The Company records as an expense certain acquisition costs and fees associated with consolidated investments deemed to be business combinations and capitalizes these costs for investments deemed to be acquisitions of an asset, including an equity method investment.

Non-controlling Interests

A non-controlling interest in a consolidated subsidiary is defined as the portion of the equity (net assets) in a subsidiary not attributable, directly or indirectly, to the Company. A non-controlling interest is required to be presented as a separate component of equity on the consolidated balance sheets and presented separately as net income (loss) and comprehensive income (loss) attributable to controlling and non-controlling interests. An allocation to a non-controlling interest may differ from the stated ownership percentage interest in such entity as a result of a preferred return and allocation formula, if any, as described in such governing documents.

Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that could affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could materially differ from those estimates and assumptions. Any estimates of the effects of COVID-19 as reflected and or discussed in these financial statements are based upon the Company's best estimates using information known to the Company as of the date of this Annual Report on Form 10-K. Such estimates may change and the impact of which could be material.

Comprehensive Income (Loss)

The Company reports consolidated comprehensive income (loss) in separate statements following the consolidated statements of operations. Comprehensive income (loss) is defined as the change in equity resulting from net income (loss) and other comprehensive income (loss) ("OCI"). The only component of OCI for the Company is foreign currency translation adjustments related to its investment in an unconsolidated venture.

Fair Value Option

The fair value option provides an election that allows a company to irrevocably elect to record certain financial assets and liabilities at fair value on an instrument-by-instrument basis at initial recognition. The Company may elect to apply the fair value option for certain investments due to the nature of the instrument. Any change in fair value for assets and liabilities for which the election is made is recognized in earnings.

Cash, Cash Equivalents and Restricted Cash

The Company considers all highly-liquid investments with an original maturity date of three months or less to be cash equivalents. Cash, including amounts restricted, may at times exceed the Federal Deposit Insurance Corporation deposit insurance limit of $250,000 per institution. The Company mitigates credit risk by placing cash and cash equivalents with major financial institutions. To date, the Company has not experienced any losses on cash and cash equivalents.

Restricted cash consists of amounts related to operating real estate (escrows for taxes, insurance, capital expenditures, security deposits received from tenants and payments required under certain lease agreements) and other escrows required by lenders of the Company's borrowings.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash as reported on the consolidated balance sheets to the total of such amounts as reported on the consolidated statements of cash flows (dollars in thousands):

	Year Ended December 31,		
	2020	2019	2018
Cash and cash equivalents	$ 65,995	$ 41,884	$ 73,811
Restricted cash	27,575	16,936	20,697
Total cash, cash equivalents and restricted cash	$ 93,570	$ 58,820	$ 94,508

Operating Real Estate

Operating real estate is carried at historical cost less accumulated depreciation. Major replacements and betterments which improve or extend the life of the asset are capitalized and depreciated over their useful life. Ordinary repairs and maintenance are expensed as incurred. Operating real estate is depreciated using the straight-line method over the estimated useful life of the assets, summarized as follows:

Category:	Term:
Building	30 to 50 years
Building improvements	Lesser of the useful life or remaining life of the building
Land improvements	9 to 15 years
Tenant improvements	Lesser of the useful life or remaining term of the lease
Furniture, fixtures and equipment	5 to 14 years

Construction costs incurred in connection with the Company's investments are capitalized and included in operating real estate, net on the consolidated balance sheets. Construction in progress is not depreciated until the asset is available for its intended use.

Lessee Accounting

A leasing arrangement, a right to control the use of an identified asset for a period of time in exchange for consideration, is classified by the lessee either as a finance lease, which represents a financed purchase of the leased asset, or as an operating lease. For leases with terms greater than 12 months, a lease asset and a lease liability are recognized on the balance sheet at commencement date based on the present value of lease payments over the lease term.

Lease renewal or termination options are included in the lease asset and lease liability only if it is reasonably certain that the option to extend would be exercised or the option to terminate would not be exercised. As the implicit rate in most leases are not readily determinable, the Company's incremental borrowing rate for each lease at commencement date is used to determine the present value of lease payments. Consideration is given to the Company's recent debt financing transactions, as well as publicly available data for instruments with similar characteristics, adjusted for the respective lease term, when estimating incremental borrowing rates.

Lease expense is recognized over the lease term based on an effective interest method for finance leases and on a straight-line basis for operating leases.

Right of Use ("ROU") - Finance Assets

The Company has entered into finance leases for equipment totaling $3.5 million, which is included in furniture, fixtures, and equipment within operating real estate, net on the Company's consolidated balance sheets. The leased equipment is amortized on a straight-line basis. For the years ended December 31, 2020 and 2019, payments for finance leases totaled $0.7 million, respectively.

The following table presents the future minimum lease payments under finance leases and the present value of the minimum lease payments, which are included in other liabilities on the Company's consolidated balance sheets (dollars in thousands):

Years Ending December 31:		
2021	$	670
2022		577
2023		155
2024		59
2025		17
Thereafter		9
Total minimum lease payments	$	1,487
Less: Amount representing interest	$	(112)
Present value of minimum lease payments	$	1,375

The weighted average interest rate related to the finance lease obligations is 6.2% with a weighted average lease term of 2.4 years.

As of December 31, 2020, there were no leases that had yet to commence which would create significant rights and obligations to the Company as lessee.

Assets Held For Sale

The Company classifies certain long-lived assets as held for sale once the criteria, as defined by U.S. GAAP, have been met and are expected to sell within one year. Long-lived assets to be disposed of are reported at the lower of their carrying amount or fair value minus cost to sell, with any write-down recorded to impairment loss on the consolidated statements of operations. Depreciation and amortization is not recorded for assets classified as held for sale. As of December 31, 2020, the Company classified two operating real estate properties within the Kansas City portfolio as held for sale, as presented on its consolidated balance sheets As of December 31, 2019, the Company had one net lease property classified as held for sale, which was sold in July 2020.

Real Estate Debt Investments

Real estate debt investments are generally intended to be held to maturity and, accordingly, are carried at cost, net of unamortized loan fees, premium, discount and unfunded commitments. Debt investments where the Company does not have the intent to hold the loan for the foreseeable future or until its expected payoff are classified as held for sale and recorded at the lower of cost or estimated fair value. Refer to "—Credit Losses on Real Estate Debt Investments and Receivables" for additional information on estimated credit loses for real estate debt investments.

Goodwill, Intangible Assets and Deferred Costs

Deferred Costs

Deferred costs primarily include deferred financing costs and deferred lease costs. Deferred financing costs represent commitment fees, legal and other third-party costs associated with obtaining financing. These costs are recorded against the carrying value of such financing and are amortized to interest expense over the term of the financing using the effective interest method. Unamortized deferred financing costs are expensed to realized gain (loss) on investments and other, when the associated borrowing is repaid before maturity. Costs incurred in seeking financing transactions which do not close are expensed in the period in which it is determined that the financing will not occur. Deferred lease costs consist of fees incurred to initiate and renew operating leases, which are amortized on a straight-line basis over the remaining lease term and are recorded to depreciation and amortization in the consolidated statements of operations.

Identified Intangibles

The Company records acquired identified intangibles, such as the value of in-place leases, goodwill and other intangibles, based on estimated fair value at the acquisition date. The value allocated to the identified intangibles is amortized over the remaining lease term. In-place leases are amortized into depreciation and amortization expense.

Impairment analysis for identified intangible assets is performed in connection with the impairment assessment of the related operating real estate. An impairment establishes a new basis for the identified intangible asset and any impairment loss recognized is not subject to subsequent reversal. Refer to "—Credit Losses and Impairment on Investments - Operating Real Estate" for additional information.

Goodwill represents the excess of the purchase price over the fair value of net tangible and intangible assets acquired in a business combination and is not amortized. The Company performs an annual impairment test for goodwill and evaluates the recoverability whenever events or changes in circumstances indicate that the carrying value of goodwill may not be fully recoverable. In making such assessment, qualitative factors are used to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If the estimated fair value of the reporting unit is less than its carrying value, then an impairment charge is recorded.

During the year ended December 31, 2020, the Company tested its goodwill for impairment. The accounting guidance under ASC 350-20 requires that any assets in the reporting unit of goodwill that are subject to impairment testing be evaluated prior to testing the goodwill of the reporting unit for impairment. As a result of impairment recorded on the operating real estate of the reporting unit during the year ended December 31, 2020, the Company concluded that the fair value of its goodwill reporting unit remains greater than its carrying value and goodwill was not impaired as of December 31, 2020. The Company utilized future net cash flows expected to be generated by the properties in a discounted cash flow analysis using terminal capitalization rates ranging from 6.50% to 7.75% and discount rates ranging from 7.75% to 9.25%.

The Company concluded that the fair value of the goodwill reporting unit was less than 10% in excess of its carrying value as of December 31, 2020. If a general economic downturn resulting from efforts to contain COVID-19 persists over an extended period of time, this could have a prolonged negative impact on the performance of the Company's operating real estate. At this time, as the extent and duration of the increasingly broad effects of COVID-19 on the global economy remain unclear, it is difficult for the Company to assess and estimate the impact with any meaningful precision.

Identified intangible assets are recorded in deferred costs and intangible assets, net on the consolidated balance sheets. The following table presents deferred costs and intangible assets, net (dollars in thousands):

	December 31, 2020	December 31, 2019
Goodwill and intangible assets, net:		
In-place lease value, net	$ 4,635	$ 6,437
Goodwill	21,387	21,387
Certificate of need intangible assets	380	380
Subtotal intangible assets	26,402	28,204
Deferred costs, net	81	151
Total	$ 26,483	$ 28,355

The Company recorded $1.9 million and $8.3 million of amortization expense for in-place leases and deferred costs for the year ended December 31, 2020 and 2019, respectively.

In-place lease value, net includes a gross asset amount of $130.0 million for in-place leases related to the Company's direct investment - net lease properties, of which $125.4 million has been amortized as of December 31, 2020. All other in-place leases related to the Company's direct investment - operating properties have been fully amortized as of December 31, 2020.

The following table presents future amortization of in-place lease value and deferred costs (dollars in thousands):

Years Ending December 31:	
2021	$ 1,871
2022	593
2023	337
2024	337
2025	337
Thereafter	1,241
Total	$ 4,716

Acquisition Fees and Expenses

The total of all acquisition fees and expenses for an investment, including acquisition fees to the Advisor, cannot exceed, in the aggregate, 6.0% of the contract purchase price of such investment unless such excess is approved by a majority of the Company's directors, including a majority of its independent directors. Effective January 1, 2018, the Advisor no longer receives an acquisition fee in connection with the Company's acquisitions of real estate properties or debt investments. For the year ended December 31, 2020, the Company did not incur any acquisition fees or expenses to the Advisor or third parties. The Company records as an expense for certain acquisition costs and fees associated with transactions deemed to be business combinations in which it consolidates the asset and capitalizes these costs for transactions deemed to be acquisitions of an asset, including an equity investment.

Other Assets

The following table presents a summary of other assets (dollars in thousands):

	December 31, 2020	December 31, 2019
Other assets:		
Healthcare facility regulatory reserve deposit[1]	$ —	$ 6,000
Remainder interest in condominium units[2]	2,327	2,327
Prepaid expenses	3,798	3,841
Lease / rent inducements, net	2,246	1,636
Utility deposits	447	317
Other	863	368
Total	$ 9,681	$ 14,489

(1) As of December 31, 2020, the Company is in possession of the regulatory reserve deposit and, accordingly, the amount totaling $6.0 million has been reclassified to restricted cash.
(2) Represents future interests in property subject to life estates.

Revenue Recognition

Operating Real Estate

Rental income from operating real estate is derived from leasing of space to healthcare operators, including rent received from the Company's net lease properties and rent, ancillary service fees and other related revenue earned from ILF residents. Rental revenue recognition commences when the operator takes legal possession of the leased space and the leased space is substantially ready for its intended use. The leases are for fixed terms of varying length and generally provide for rentals and expense reimbursements to be paid in monthly installments. Rental income from leases is recognized on a straight-line basis over the term of the respective leases. ILF resident agreements are generally short-term in nature and may allow for termination with 30 days' notice. The excess of rents recognized over amounts contractually due pursuant to the underlying leases are included in receivables, net on the consolidated balance sheets. The Company amortizes any operator inducements as a reduction of revenue utilizing the straight-line method over the term of the lease.

The Company also generates operating income from operating healthcare properties. Revenue related to operating healthcare properties includes resident room and care charges, ancillary fees and other resident service charges. Rent is charged and revenue is recognized when such services are provided, generally defined per the resident agreement as of the date upon which a resident occupies a room or uses the services. Resident agreements are generally short-term in nature and may allow for termination with 30 days' notice. Income derived from our ALFs, MCFs and CCRCs is recorded in resident fee income in the consolidated statements of operations.

Lease income from operators and residents is recognized at lease commencement only to the extent collection is expected to be probable in consideration of operators' and residents' creditworthiness. This assessment is based on several qualitative and quantitative factors, including and as appropriate, the payment history, ability to satisfy its lease obligations, the value of the underlying collateral or deposit, if any, and current economic conditions. If collection is assessed to not be probable thereafter, lease income recognized is limited to lease payments collected, with the reversal of any income recognized to date in excess of amounts received. If collection is subsequently reassessed to be probable, lease income is adjusted to reflect the amount of income that would have been recognized had collection always been assessed as probable. For the year ended December 31,

2020, the operator of the Smyrna (formerly Peregrine) portfolio failed to remit rental payments and accordingly no rental income was recognized. Further, the Company continues to monitor the operator for the Arbors portfolio, which is currently in lease default as a result of the operators' failure to remit rent timely and satisfy other conditions under its lease. As of December 31, 2020, the Company expects rent collection to be probable for the Arbors portfolio.

For the years ended December 31, 2020 and 2019, total property and other revenues includes variable lease revenues of $14.4 million and $16.2 million, respectively. Variable lease income includes ancillary services provided to operator/residents, as well as non-recurring services and fees at the Company's operating facilities. In addition, during the year ended December 31, 2020, the Company recognized $1.8 million in grant income received from the Provider Relief Fund administered by the U.S Department of Health & Human Services ("DHHS"). The grant income is classified as other income in the consolidated statements of operations.

Lease Concessions Related to COVID-19

As a result of the COVID-19 crisis, the Company continues to engage with affected operators on a case-by-case basis to evaluate and respond to the current environment and assess the potential for flexible payment terms. For lease concessions resulting directly from the impact of COVID-19 that do not result in a substantial increase in the rights of the lessor or the obligations of the lessee, for example, where total payments required by the modified contract will be substantially the same as or less than the original contract, the Company made a policy election to account for the concessions as though the enforceable rights and obligations for those concessions existed in the lease contracts, under a relief provided by the Financial Accounting Standards Board ("FASB"). Under the relief, the concessions will not be treated as lease modifications that are accounted for over the remaining term of the respective leases, as the Company believes this would not accurately reflect the temporary economic effect of the concessions. Instead, (i) rent deferrals that meet the criteria will be treated as if no changes were made to the lease contract, with continued recognition of lease income and receivable under the original terms of the contract; and (ii) rent forgiveness that meets the criteria will be accounted for as variable lease payments in the affected periods.

Effective June 1, 2020, the Company granted a lease concession to the operator of its Fountains net lease portfolio. The concession allowed the operator to defer a portion of contractual rent payments for a 90-day period, with full contractual rent to be repaid over the 12 months following the concession period. The lease concession provided the operator relief consistent with the debt forbearance received from the lender of the properties in the portfolio. The amount of the deferred rental payments under the lease concession totaled $3.9 million. The lease concession period ended on August 31, 2020 and the operator has resumed remitting contractual rent payments, including amounts related to deferred rent granted under the lease concession. As there were no substantive changes to the original lease or changes in total cash flows, the concession was not treated as a lease modification and the Company continues to recognize lease income and receivables under the original terms of the lease.

Real Estate Debt Investments

Interest income is recognized on an accrual basis and any related premium, discount, origination costs and fees are amortized over the life of the investment using the effective interest method. The amortization is reflected as an adjustment to interest income in the consolidated statements of operations. The amortization of a premium or accretion of a discount is discontinued if such investment is reclassified to held for sale.

Income recognition is suspended for an investment at the earlier of the date at which payments become 90-days past due or when, in the opinion of the Company, a full recovery of income and principal becomes doubtful. When the ultimate collectability of the principal of an investment is in doubt, all payments are applied to principal under the cost recovery method. When the ultimate collectability of the principal of an investment is not in doubt, contractual interest is recorded as interest income when received, under the cash basis method until an accrual is resumed when the investment becomes contractually current and performance is demonstrated to be resumed. Interest accrued and not collected will be reversed against interest income. An investment is written off when it is no longer realizable and/or legally discharged.

Impairment on Operating Real Estate and Investments in Unconsolidated Ventures

Due to uncertainties over the extent and duration of the economic fallout from COVID-19, at this time. It is difficult for the Company to assess and estimate the future economic effects of COVID-19 with any meaningful precision. As the actual impact of COVID-19 will depend on many factors beyond the Company's control and knowledge, the resulting effect on impairment of the Company's real estate held for investment and held for sale and investments in unconsolidated ventures may materially differ from the Company's current expectations and further impairment charges may be recorded in future periods.

Operating Real Estate

The Company's real estate portfolio is reviewed on a quarterly basis, or more frequently as necessary, to assess whether there are any indicators that the value of its operating real estate may be impaired or that its carrying value may not be recoverable. A property's value is considered impaired if the Company's estimate of the aggregate expected future undiscounted cash flow generated by the property is less than the carrying value. In conducting this review, the Company considers U.S. macroeconomic factors, real estate and healthcare sector conditions, together with asset specific and other factors. To the extent an impairment has occurred, the loss is measured as the excess of the carrying value of the property over the estimated fair value and recorded in impairment loss in the consolidated statements of operations.

Real estate held for sale is stated at the lower of its carrying amount or estimated fair value less disposal cost, with any write-down to disposal cost recorded as an impairment loss. For any increase in fair value less disposal cost subsequent to classification as held for sale, the impairment may be reversed, but only up to the amount of cumulative loss previously recognized.

The Company considered the potential impact of the COVID-19 pandemic on the future net operating income of its healthcare real estate held for investment as an indicator of impairment. Fair values were estimated based upon the income capitalization approach, using net operating income for each property and applying indicative capitalization rates.

During the year ended December 31, 2020, the Company recorded impairment losses totaling $166.0 million on its operating real estate and held for sale investments. Impairment losses recorded during the year ended December 31, 2020 include the following:

- Winterfell Portfolio. Impairment losses totaled $84.9 million for nine independent living facilities as a result of sustained declines in occupancy and operating margins.
- Aqua Portfolio. Impairment losses totaled $19.9 million for a facility that has sustained poor performance and declines in occupancy and have been significantly impacted by the effects of COVID-19.
- Fountains Portfolio. Impairment losses totaled $42.7 million for five facilities that have sustained poor performance, declines in occupancy and have been significantly impacted by the effects of COVID-19.
- Rochester Portfolio. Impairment losses totaled $12.5 million for two facilities that have sustained poor performance, declines in occupancy and have been significantly impacted by the effects of COVID-19.
- Avamere Portfolio. Impairment losses totaled $4.2 million for a facility that has sustained poor performance, declines in occupancy and decreased operating margins.
- Assets held for sale or sold. Impairment losses totaled $1.8 million to reflect net realizable values for properties sold or designated as held for sale during the year ended December 31, 2020.

Investments in Unconsolidated Ventures

The Company reviews its investments in unconsolidated ventures for which the Company did not elect the fair value option on a quarterly basis, or more frequently as necessary, to assess whether there are any indicators that the value may be impaired or that its carrying value may not be recoverable. An investment is considered impaired if the projected net recoverable amount over the expected holding period is less than the carrying value. In conducting this review, the Company considers global macroeconomic factors, including real estate sector conditions, together with investment specific and other factors. To the extent an impairment has occurred and is considered to be other than temporary, the loss is measured as the excess of the carrying value of the investment over the estimated fair value and recorded in equity in earnings (losses) of unconsolidated ventures in the consolidated statements of operations.

During the year ended December 31, 2020, the Company did not impair any of its investments in unconsolidated ventures, however, the underlying joint ventures have recorded impairments and reserves on properties in their respective portfolios, which the Company has recognized through equity in earnings (losses), of which the Company's proportionate share totaled $38.2 million. Impairment losses recorded by the underlying joint ventures during the year ended December 31, 2020 include the following:

- Diversified US/UK (formerly Griffin-American) Portfolio. The underlying joint venture recorded $508.8 million of impairment losses for the year ended December 31, 2020. Adjusted for accounting basis differences, the Company's

proportionate share of impairment losses totaled $34.4 million. Operating real estate impairment resulted from shortened holding period assumptions and lower projected future cash flows and market values as a result of the economic effects of COVID-19.

- Eclipse Portfolio. The Company's proportionate share of impairment losses totaled $3.2 million. Operating real estate impairment resulted from lower projected future market values as a result of the economic effects of COVID-19.
- Trilogy Portfolio. The Company's proportionate share of impairment losses totaled $0.6 million.

Credit Losses on Real Estate Debt Investments and Receivables

The current expected credit loss ("CECL") model, in estimating expected credit losses over the life of a financial instrument at the time of origination or acquisition, considers historical loss experiences, current conditions and the effects of reasonable and supportable expectations of changes in future macroeconomic conditions. The Company assesses the estimate of expected credit losses on a quarterly basis or more frequently as necessary. The Company considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

The Company measures expected credit losses of real estate debt investments and other receivables ("Financial Assets") on a collective basis when similar risk characteristics exist. If the Company determines that a particular Financial Asset does not share risk characteristics with its other Financial Assets, the Company evaluates the Financial Asset for expected credit losses on an individual basis.

When developing an estimate of expected credit losses on Financial Assets, the Company considers available information relevant to assessing the collectability of cash flows. This information may include internal information, external information, or a combination of both relating to past events, current conditions, and reasonable and supportable forecasts. The Company considers relevant qualitative and quantitative factors that relate to the environment in which the Company operates and are specific to the borrower.

Further, the fair value of the collateral, less estimated costs to sell, may be used when determining the allowance for credit losses for a Financial Asset for which the repayment is expected to be provided substantially through the sale of the collateral when the borrower is experiencing financial difficulty.

As of December 31, 2020, the Company has not recorded an allowance for credit losses on its Financial Assets. Refer to Note 5, "Real Estate Debt Investments" for additional information regarding the carrying value of the Company's real estate debt investment.

Foreign Currency

Assets and liabilities denominated in a foreign currency for which the functional currency is a foreign currency are translated using the currency exchange rate in effect at the end of the period presented and the results of operations for such entities are translated into U.S. dollars using the average currency exchange rate in effect during the period. The resulting foreign currency translation adjustment is recorded as a component of accumulated OCI in the consolidated statements of equity.

Assets and liabilities denominated in a foreign currency for which the functional currency is the U.S. dollar are remeasured using the currency exchange rate in effect at the end of the period presented and the results of operations for such entities are remeasured into U.S. dollars using the average currency exchange rate in effect during the period.

As of December 31, 2020 and December 31, 2019, the Company had exposure to foreign currency through an investment in an unconsolidated venture, the effects of which are reflected as a component of accumulated OCI in the consolidated statements of equity and in equity in earnings (losses) in the consolidated statements of operations.

Equity-Based Compensation

The Company accounts for equity-based compensation awards using the fair value method, which requires an estimate of fair value of the award at the time of grant. All fixed equity-based awards to directors, which have no vesting conditions other than time of service, are amortized to compensation expense over the awards' vesting period on a straight-line basis. Equity-based compensation is classified within general and administrative expenses in the consolidated statements of operations.

Income Taxes

The Company elected to be taxed as a REIT and to comply with the related provisions of the Internal Revenue Code beginning in its taxable year ended December 31, 2013. Accordingly, the Company will generally not be subject to U.S. federal income tax to the extent of its distributions to stockholders as long as certain asset, gross income and share ownership tests are met. To maintain its qualification as a REIT, the Company must annually distribute dividends equal to at least 90.0% of its REIT taxable income (with certain adjustments) to its stockholders and meet certain other requirements. The Company believes that all of the criteria to maintain the Company's REIT qualification have been met for the applicable periods, but there can be no assurance that these criteria will continue to be met in subsequent periods. If the Company were to fail to meet these requirements, it would be subject to U.S. federal income tax and potential interest and penalties, which could have a material adverse impact on its results of operations and amounts available for distributions to its stockholders. The Company's accounting policy with respect to interest and penalties is to classify these amounts as a component of income tax expense, where applicable. The Company has assessed its tax positions for all open tax years, which include 2017 to 2020, and concluded there were no material uncertainties to be recognized.

The Company may also be subject to certain state, local and franchise taxes. Under certain circumstances, federal income and excise taxes may be due on its undistributed taxable income.

The Company made a joint election to treat certain subsidiaries as taxable REIT subsidiaries ("TRS") which may be subject to U.S. federal, state and local income taxes. In general, a TRS of the Company may perform services for managers/operators/ residents of the Company, hold assets that the Company cannot hold directly and may engage in any real estate or non-real estate related business.

Certain subsidiaries of the Company are subject to taxation by federal, state and foreign authorities for the periods presented. Income taxes are accounted for by the asset/liability approach in accordance with U.S. GAAP. Deferred taxes, if any, represent the expected future tax consequences when the reported amounts of assets and liabilities are recovered or paid. Such amounts arise from differences between the financial reporting and tax bases of assets and liabilities and are adjusted for changes in tax laws and tax rates in the period which such changes are enacted. A provision for income tax represents the total of income taxes paid or payable for the current period, plus the change in deferred taxes. Current and deferred taxes are provided on the portion of earnings (losses) recognized by the Company with respect to its interest in the TRS. Deferred income tax assets and liabilities are calculated based on temporary differences between the Company's U.S. GAAP consolidated financial statements and the federal and state income tax basis of assets and liabilities as of the consolidated balance sheets date. The Company evaluates the realizability of its deferred tax assets (e.g., net operating loss and capital loss carryforwards) and recognizes a valuation allowance if, based on the available evidence, it is more likely than not that some portion or all of its deferred tax assets will not be realized. When evaluating the realizability of its deferred tax assets, the Company considers estimates of expected future taxable income, existing and projected book/tax differences, tax planning strategies available and the general and industry specific economic outlook. This realizability analysis is inherently subjective, as it requires the Company to forecast its business and general economic environment in future periods. Changes in estimate of deferred tax asset realizability, if any, are included in provision for income tax benefit (expense) in the consolidated statements of operations. The Company has a deferred tax asset, which as of December 31, 2020 totaled $18.2 million and continues to have a full valuation allowance recognized, as there are no changes in the facts and circumstances to indicate that the Company should release the valuation allowance.

The Company recorded an income tax expense of approximately $53,000, $75,000 and $114,000 for the years ended December 31, 2020, 2019 and 2018, respectively.

Recent Accounting Pronouncements

Accounting Standards Adopted in 2020

Credit Losses—In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments-Credit Losses*, followed by subsequent amendments, which modifies the credit impairment model for financial instruments. ASU No. 2016-13 was codified as Accounting Standards Codification ("ASC") Topic 326. Pursuant to ASC Topic 326, the multiple existing incurred loss models have been replaced with the CECL model for off-balance sheet credit exposures that are not unconditionally cancellable by the lender and financial instruments carried at amortized cost, such as loans, loan commitments, held-to-maturity debt securities, financial guarantees, net investment in sales-type and direct financing leases, reinsurance and trade receivables. Targeted changes are also made to the impairment model of available-for-sale ("AFS") debt securities which are not within the scope of CECL.

The CECL model, in estimating expected credit losses over the life of a financial instrument at the time of origination or acquisition, considers historical loss experience, current conditions and the effects of a reasonable and supportable expectation of changes in future macroeconomic conditions. Recognition of allowance for credit losses under the CECL model will generally be accelerated as it encompasses credit losses over the full remaining expected life of the affected financial instruments. For collateralized financial assets, measurement of credit losses under CECL is based on fair value of the collateral if foreclosure is probable or if the collateral-dependent practical expedient is elected for financial assets expected to be repaid substantially through operation or sale of the collateral when the borrower is experiencing financial difficulty. The accounting model for purchased credit-impaired loans and debt securities will be simplified to be consistent with the CECL model for originated and purchased non-credit-impaired assets. For AFS debt securities, unrealized credit losses will be recognized as allowances rather than reductions in amortized cost basis and elimination of the other-than-temporary impairment concept will result in more frequent estimation of credit losses. ASC 326 also requires expanded disclosures on credit risk, including credit quality indicators by vintage of financing receivables.

The Company adopted the new standard on January 1, 2020. The Company has identified its mezzanine loan debt investment to be within the scope of ASU No. 2016-13. The Company has developed the policies, systems and controls required for the implementation and ongoing management of CECL. ASU 2016-13 specifies that an allowance for credit losses should be based on relevant information about past events, including historical loss experience, current portfolio and market conditions, and reasonable and supportable forecasts for the duration of each respective loan. Based on its analysis, the Company has not recorded any credit loss allowance for its mezzanine loan upon the adoption of this standard. Refer to Note 5, “Real Estate Debt Investments” for additional information.

The Company had no debt securities with unrealized loss in accumulated other comprehensive income as of December 31, 2019 and accordingly, there was no impact upon adoption of the new standard. As it relates to the Company’s other accounts receivable that are subject to CECL, there was no impact from adoption of the new standard.

Related Party Guidance for VIEs—In November 2018, the FASB issued ASU No. 2018-17, *Targeted Improvements to Related Party Guidance for Variable Interest Entities*. The ASU amends the VIE guidance to align, throughout the VIE model, the evaluation of a decision maker's or service provider’s fee held by a related party, whether or not they are under common control, in both the assessment of whether the fee qualifies as a variable interest and the determination of a primary beneficiary. Specifically, a decision maker or service provider considers interests in a VIE held by a related party under common control only if it has a direct interest in that related party under common control and considers such indirect interest in the VIE held by the related party under common control on a proportionate basis, rather than in its entirety. Transition is generally on a modified retrospective basis, with the cumulative effect adjusted to retained earnings at the beginning of the earliest period presented. The Company adopted ASU No. 2018-17 on January 1, 2020, with no transitional impact upon adoption.

Future Application of Accounting Standards

Income Tax Accounting—In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes*. The ASU simplifies accounting for income taxes by eliminating certain exceptions to the general approach in ASC 740, Income Taxes, and clarifies certain aspects of the guidance for more consistent application. The simplifications relate to intraperiod tax allocations when there is a loss in continuing operations and a gain outside of continuing operations, accounting for tax law or tax rate changes and year-to-date losses in interim periods, recognition of deferred tax liability for outside basis difference when investment ownership changes, and accounting for franchise taxes that are partially based on income. The ASU also provides new guidance that clarifies the accounting for transactions resulting in a step-up in tax basis of goodwill, among other changes. Transition is generally prospective, other than the provision related to outside basis difference which is on a modified retrospective basis with cumulative effect adjusted to retained earnings at the beginning of the period adopted, and franchise tax provision which is on either full or modified retrospective. ASU No. 2019-12 is effective January 1, 2021, with early adoption permitted in an interim period, to be applied to all provisions. The Company is currently evaluating the impact of this new guidance.

Accounting for Certain Equity Investments—In January 2020, the FASB issued ASU No. 2020-01, *Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*. The ASU clarifies that if as a result of an observable transaction, an equity investment under the measurement alternative is transitioned into equity method and vice versa, an equity method investment is transitioned into measurement alternative, the investment is to be remeasured immediately before and after the transaction, respectively. The ASU also clarifies that certain forward contracts or purchased options to acquire equity securities that are not deemed to be derivatives or in-substance common stock will generally be measured using the fair value principles of ASC 321 before settlement or exercise, and that an entity should not be considering how it will account for the resulting investments upon

eventual settlement or exercise. ASU No. 2020-01 is to be applied prospectively, effective January 1, 2021, with early adoption permitted in an interim period. The Company is currently evaluating the impact of this new guidance.

Reference Rate Reform—In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The guidance in Topic 848 is optional, the election of which provides temporary relief for the accounting effects on contracts, hedging relationships and other transactions impacted by the transition from interbank offered rates (such as London Interbank Offered Rate ("LIBOR")) that are expected to be discontinued by the end of 2021 to alternative reference rates (such as Secured Overnight Financing Rate). Modification of contractual terms to effect the reference rate reform transition on debt, leases, derivatives and other contracts is eligible for relief from modification accounting and accounted for as a continuation of the existing contract. Topic 848 is effective upon issuance through December 31, 2022, and may be applied retrospectively to January 1, 2020. The Company may elect practical expedients or exceptions as applicable over time as reference rate reform activities occur.

3. Operating Real Estate

The following table presents operating real estate, net (dollars in thousands):

	December 31, 2020	December 31, 2019
Land	$ 234,706	$ 236,036
Land improvements	23,797	23,287
Buildings and improvements	1,389,706	1,551,113
Tenant improvements	16,172	14,642
Construction in progress	2,535	4,956
Furniture, fixtures and equipment	108,055	100,998
Subtotal	$ 1,774,971	$ 1,931,032
Less: Accumulated depreciation	(291,041)	(230,814)
Operating real estate, net	$ 1,483,930	$ 1,700,218

For the years ended December 31, 2020, 2019 and 2018 depreciation expense was, $63.1 million, $62.8 million and $60.0 million, respectively.

Within the table above, buildings and improvements have been reduced by accumulated impairment losses of $213.9 million and $58.0 million as of December 31, 2020 and December 31, 2019, respectively. Impairment loss, as presented on the consolidated statements of operations, totaled $166.0 million and $27.6 million for the years ended December 31, 2020 and 2019, respectively. Refer to Note 2, "Summary of Significant Accounting Policies" for further discussion.

Future Minimum Rental Income

Minimum rental amounts due under leases are generally either subject to scheduled fixed increases or adjustments. The following table presents approximate future minimum rental income under noncancelable operating leases to be received over the next five years and thereafter as of December 31, 2020 (dollars in thousands):

Years Ending December 31:[1]	
2021	$ 34,183
2022	14,659
2023	10,919
2024	11,192
2025	11,472
Thereafter	45,604
Total	$ 128,029

(1) Excludes rental income from residents at ILFs that are subject to short-term leases.

Net lease rental properties owned as of December 31, 2020 have current lease expirations of 2022 and 2029, with certain operator renewal rights. These net lease arrangements require the operator to pay rent and substantially all the expenses of the leased property including maintenance, taxes, utilities and insurance. For certain properties, the operators pay the Company, in addition to the contractual base rent, their pro rata share of real estate taxes and operating expenses. The Company's net lease agreements provide for periodic rental increases based on the greater of certain percentages or increase in the consumer price index.

4. Investments in Unconsolidated Ventures

All investments in unconsolidated ventures are accounted for under the equity method. The following tables present the Company's investments in unconsolidated ventures (dollars in thousands):

Portfolio	Acquisition Date	Ownership	Carrying Value December 31, 2020	Carrying Value December 31, 2019[1]
Eclipse	May-2014	5.6 %	$ 5,624	$ 9,483
Envoy[2]	Sep-2014	11.4 %	2	399
Diversified US/UK (formerly Griffin-American)	Dec-2014	14.3 %	89,651	125,597
Espresso[3]	Jul-2015	36.7 %	—	—
Trilogy[4]	Dec-2015	23.2 %	133,896	133,361
Subtotal			$ 229,173	$ 268,840
Operator Platform[5]	Jul-2017	20.0 %	—	54
Total			$ 229,173	$ 268,894

(1) Includes $1.3 million, $13.4 million, $7.6 million and $9.8 million of capitalized acquisition costs for the Company's investments in the Eclipse, Diversified US/UK (formerly Griffin-American), Espresso and Trilogy joint ventures, respectively.
(2) In March 2019, the Envoy joint venture completed the sale of its remaining 11 properties for a sales price of $118.0 million, which generated net proceeds to the Company totaling $4.3 million. The Company's carrying value for its investment in the Envoy joint venture represents additional proceeds to be received upon satisfaction of certain conditions under the sale.
(3) As a result of impairments and other non-cash reserves recorded by the joint venture, the Company's carrying value of its Espresso unconsolidated investment was reduced to zero in the fourth quarter of 2018. The Company has recorded the excess equity in losses related to its unconsolidated venture as a reduction to the carrying value of its mezzanine loan, which was originated to a subsidiary of the Espresso joint venture.
(4) In October 2018, the Company sold 20.0% of its ownership interest in the Trilogy joint venture, which generated gross proceeds of $48.0 million and reduced the Company's ownership interest in the joint venture from approximately 29% to 23%.
(5) Represents investment in Solstice Senior Living, LLC ("Solstice"), the manager of the Winterfell portfolio. Solstice is a joint venture between affiliates of Integral Senior Living, LLC ("ISL"), a management company of ILF, ALF and MCF founded in 2000, which owns 80.0%, and the Company, which owns 20.0%. As a result of losses recorded by the joint venture, the Company's carrying value of its Solstice unconsolidated investment was reduced to zero in the third quarter of 2020.

Portfolio	Year Ended December 31, 2020 Equity in Earnings (Losses)	Year Ended December 31, 2020 Select Revenues and (Expenses), net[1]	Year Ended December 31, 2020 Cash Distributions	Year Ended December 31, 2019 Equity in Earnings (Losses)	Year Ended December 31, 2019 Select Revenues and (Expenses), net[1]	Year Ended December 31, 2019 Cash Distributions
Eclipse	$ (3,774)	$ (4,769)	$ 86	$ 435	$ (987)	$ 2,717
Envoy	(7)	—	390	20	(892)	4,339 [4]
Diversified US/UK (Formerly Griffin-American)	(35,396)	(47,177)	1,487	(4,540)	(16,359)	23,061
Espresso	270	(9,415)	—	(2,426)	(8,530)	—
Trilogy[2]	4,495	(13,617)	3,960	3,003	(13,797)	5,805
Subtotal	$ (34,412)	$ (74,978)	$ 5,923	$ (3,508)	$ (40,565)	$ 35,922
Operator Platform[3]	(54)	—	—	(37)	—	—
Total	$ (34,466)	$ (74,978)	$ 5,923	$ (3,545)	$ (40,565)	$ 35,922

(1) Represents the net amount of the Company's proportionate share of select revenues and expenses, including: straight-line rental income (expense), (above)/ below market lease and in-place lease amortization, (above)/below market debt and deferred financing costs amortization, depreciation and amortization expense, acquisition fees and transaction costs, loan loss reserves, liability extinguishment gains, debt extinguishment losses, impairment, as well as unrealized and realized gain (loss) from sales of real estate and investments.

(2) The Trilogy joint venture received and recognized federal COVID-19 provider relief funds totaling $53.9 million, of which the Company's proportionate share totaled $12.5 million, and is included in equity in earnings for the year ended December 31, 2020.
(3) Represents the Company's investment in Solstice. During the year ended December 31, 2020, the Company's unconsolidated investment in Solstice was reduced to zero. As such, the Company did not recognize its proportionate share of losses from the joint venture of approximately $3,000 for the year ended December 31, 2020.
(4) In March 2019, the Envoy joint venture completed the sale of its remaining 11 properties for a sales price of $118.0 million, which generated net proceeds to the Company totaling $4.3 million.

Summarized Financial Data

The combined balance sheets as of December 31, 2020 and 2019 and combined statements of operations for the years ended December 31, 2020, 2019 and 2018 for the Company's unconsolidated ventures are as follows (dollars in thousands):

	December 31, 2020	December 31, 2019
Assets		
Operating real estate, net	$ 4,500,319	$ 4,821,757
Other assets	1,261,678	1,199,552
Total assets	$ 5,761,997	$ 6,021,309
Liabilities and equity		
Total liabilities	$ 4,626,761	$ 4,578,905
Equity	1,135,236	1,442,404
Total liabilities and equity	$ 5,761,997	$ 6,021,309

	Year Ended December 31,		
	2020	2019	2018
Total revenues	$ 1,562,284	$ 1,575,758	$ 1,514,098
Net income (loss)	$ (294,501)	$ (17,689)	$ (150,170)

5. Real Estate Debt Investments

The following table presents the Company's one debt investment (dollars in thousands):

Asset Type:	Principal Amount	Carrying Value[1] December 31, 2020	Carrying Value[1] December 31, 2019	Fixed Rate	Final Maturity Date
Mezzanine loan[1]	$ 74,182	$ 55,864	$ 55,468	10.0 %	Jan 2022

(1) As a result of impairments and other non-cash reserves recorded by the joint venture, the Company's carrying value of its Espresso unconsolidated investment was reduced to zero in the fourth quarter of 2018. The Company has recorded the excess equity in losses related to its unconsolidated investment as a reduction to the carrying value of its mezzanine loan, which was originated to a subsidiary of the Espresso joint venture. As of December 31, 2020 and December 31, 2019, the cumulative excess equity in losses included in the mezzanine loan carrying value were $18.3 million and $18.6 million, respectively.

The Company evaluates its debt investment at least quarterly based on: (i) whether the borrower is currently paying contractual debt service in accordance with its contractual terms; and (ii) whether the Company believes the borrower will be able to perform under its contractual terms in the future, as well as the Company's expectations as to the ultimate recovery of principal. The Company considers historical credit loss information, current conditions, the effects of expectations of changes in future macroeconomic conditions as well as reasonable and supportable forecasts.

As of December 31, 2020, the Company's debt investment was performing in accordance with the contractual terms of its governing documents. The Company continues to assess the collectability of principal and interest and expects to receive full payment of contractual interest and recover the principal outstanding. As of December 31, 2020, contractual debt service has been paid in accordance with contractual terms.

Effective December 31, 2020, the Company executed an amended and restated loan agreement with the borrower of our debt investment. The terms set forth under the amended loan agreement include:

- a partial principal repayment totaling $5.0 million upon execution, which was received in January 2021, as well as the remittance of modification fees upon certain milestones;
- a fixed interest rate of 14.0%, effective February 2021, as well as the accrual of additional payment-in-kind, interest based on outstanding principal balance thresholds;

- periodic principal repayments from the borrower's available cash flow; and
- an extension of the loan's maturity through January 2022.

For the year ended December 31, 2020, the mezzanine loan represented 100.0% of the Company's interest income on debt investments as presented on the consolidated statements of operations.

6. Borrowings

The following table presents the Company's mortgage and other notes payable (dollars in thousands):

				December 31, 2020		December 31, 2019	
	Recourse vs. Non-Recourse	Final Maturity[1]	Contractual Interest Rate[2]	Principal Amount[3]	Carrying Value[3]	Principal Amount[3]	Carrying Value[3]
Mortgage notes payable, net							
Watermark Aqua Portfolio							
Denver, CO	Non-recourse	Feb 2021	LIBOR + 2.92%	$ 20,189	$ 20,183	$ 20,547	$ 20,500
Frisco, TX	Non-recourse	Mar 2021	LIBOR + 3.04%	18,770	18,764	19,170	19,127
Milford, OH	Non-recourse	Sep 2026	LIBOR + 2.68%	18,760	18,423	18,760	18,357
Rochester Portfolio							
Rochester, NY	Non-recourse	Feb 2025	4.25%	19,907	19,830	20,228	20,131
Rochester, NY[4]	Non-recourse	Aug 2027	LIBOR + 2.34%	101,224	100,378	101,224	100,267
Rochester, NY	Non-recourse	Aug 2021	LIBOR + 2.90%	12,800	12,584	12,800	12,232
Arbors Portfolio[5]							
Various locations	Non-recourse	Feb 2025	3.99%	87,302	86,521	89,026	88,020
Watermark Fountains Portfolio[6]							
Various locations	Non-recourse	Jun 2022	3.92%	386,607	385,606	392,269	390,508
Various locations	Non-recourse	Jun 2022	5.56%	73,439	73,180	74,208	73,750
Winterfell Portfolio[7]							
Various locations	Non-recourse	Jun 2025	4.17%	622,045	607,526	632,024	614,415
Avamere Portfolio[8]							
Various locations	Non-recourse	Feb 2027	4.66%	70,427	69,962	71,464	70,922
Subtotal mortgage notes payable, net				$ 1,431,470	$ 1,412,957	$ 1,451,720	$ 1,428,229
Other notes payable							
Oak Cottage							
Santa Barbara, CA	Non-recourse	Feb 2022	6.00%	3,914	3,914	3,693	3,693
Subtotal other notes payable, net				$ 3,914	$ 3,914	$ 3,693	$ 3,693
Total mortgage and other notes payable, net				$ 1,435,384	$ 1,416,871	$ 1,455,413	$ 1,431,922

(1) Refer to Note 15, "Subsequent Events" for additional information regarding the final maturity dates for two of the mortgage notes payable in the Watermark Aqua Portfolio.
(2) Floating rate borrowings are comprised of $171.7 million principal amount at one-month LIBOR.
(3) The difference between principal amount and carrying value of mortgage notes payable is attributable to deferred financing costs, net for all borrowings, other than the Winterfell portfolio which is attributable to below market debt intangibles.
(4) Comprised of seven individual mortgage notes payable secured by seven healthcare real estate properties, cross-collateralized and subject to cross-default.
(5) Comprised of four individual mortgage notes payable secured by four healthcare real estate properties, cross-collateralized and subject to cross-default.
(6) Includes $386.6 million principal amount of fixed rate borrowings, secured by 14 healthcare real estate properties, cross-collateralized and subject to cross-default, as well as a supplemental financing totaling $73.4 million of principal, secured by seven healthcare real estate properties, cross-collateralized and subject to cross-default.
(7) Comprised of 32 individual mortgage notes payable secured by 32 healthcare real estate properties, cross-collateralized and subject to cross-default.
(8) Comprised of five individual mortgage notes payable secured by five healthcare real estate properties, cross-collateralized and subject to cross-default.

The following table presents future scheduled principal payments on mortgage and other notes payable based on final maturity (dollars in thousands):

Years Ending December 31:	
2021	$ 79,696
2022	467,008
2023	19,696
2024	20,406
2025	670,302
Thereafter	178,276
Total	$ 1,435,384

As of December 31, 2020, the operator for the Arbors portfolio failed to remit rent timely and comply with other contractual terms of its lease agreement, which resulted in a default under the operator's lease, which in turn, resulted in a default under the mortgage notes collateralized by the properties. The Company is currently in discussions with the operator regarding the lease default.

In response to the operational challenges resulting from the COVID-19 pandemic, the Company entered into forbearance agreements effective May 1, 2020 to defer up to 90 days of contractual debt service for borrowings on properties within the Aqua, Rochester, Arbors, Winterfell and Fountains portfolios. The aggregate outstanding principal amount of these borrowings totaled $1.3 billion as of December 31, 2020. The deferred debt service must be repaid over the 12 months following the forbearance period with no additional interest or penalties incurred by the Company, subject to satisfaction of certain conditions. The deferral of payments ended on August 1, 2020 and the Company has resumed remitting debt service, together with the deferred debt service, on these mortgage notes payable. As a result, these borrowings remain in technical default and are subject to the terms of the forbearance agreements until all deferred debt service is repaid.

The Company entered into an additional forbearance agreement effective July 1, 2020 to defer up to 90 days of interest and 120 days of contractual principal payments for a mortgage note payable on a property within the Rochester portfolio. The forbearance agreement also temporarily waives financial covenants under the mortgage note, which the property has failed to maintain as of December 31, 2020. The outstanding principal amount of the mortgage note payable was $19.9 million as of December 31, 2020. The deferred debt service must be repaid over the 12 months following the forbearance period with no additional interest or penalties incurred by the Company, subject to satisfaction of certain conditions. The deferral of payments ended on December 31, 2020 and the Company has resumed remitting debt service, together with the deferred debt service, on this mortgage note payable. As a result, this borrowing remains in technical default and is subject to the terms of the forbearance agreements until all deferred debt service is repaid.

Line of Credit - Related Party

The following table presents the Company's borrowings under the Sponsor line of credit as of December 31, 2020 (dollars in thousands):

	Capacity	Principal Outstanding	Contractual Interest Rate	Maturity Date
Sponsor Line of Credit	$ 35,000	$ 35,000	LIBOR + 3.50%	Dec 2022

In October 2017, the Company obtained a revolving line of credit from an affiliate of Colony Capital, the Sponsor, for up to $15.0 million at an interest rate of 3.5% plus LIBOR (the "Sponsor Line"). The Sponsor Line had an initial one year term, with an extension option of six months.

In November 2017, the borrowing capacity under the Sponsor Line was increased to $35.0 million. In March 2018, the Sponsor Line maturity date was extended through December 2020, and in May 2019, the maturity date was further extended through December 2021. In July 2020, the maturity date was extended through December 2022.

In April 2020, the Company borrowed $35.0 million under the Sponsor Line to improve its liquidity position as a result of the COVID-19 pandemic. Interest expense on the Company's consolidated statements of operations includes $0.9 million related to the Sponsor Line for the year ended December 31, 2020.

7. Related Party Arrangements

Advisor

Subject to certain restrictions and limitations, the Advisor is responsible for managing the Company's affairs on a day-to-day basis and for identifying, acquiring, originating and asset managing investments on behalf of the Company. The Advisor may delegate certain of its obligations to affiliated entities, which may be organized under the laws of the United States or foreign jurisdictions. References to the Advisor include the Advisor and any such affiliated entities. For such services, to the extent permitted by law and regulations, the Advisor receives fees and reimbursements from the Company. Pursuant to the advisory agreement, the Advisor may defer or waive fees in its discretion. Below is a description and table of the fees and reimbursements incurred to the Advisor.

In June 2020, the advisory agreement was renewed for an additional one-year term commencing on June 30, 2020, with terms identical to those in effect through June 30, 2020, but for the elimination of disposition fees.

Fees to Advisor

Asset Management Fee

Effective January 1, 2018, the Advisor receives a monthly asset management fee equal to one-twelfth of 1.5% of the Company's most recently published aggregate estimated net asset value, as may be subsequently adjusted for any special distribution declared by the board of directors in connection with a sale, transfer or other disposition of a substantial portion of the Company's assets, with $2.5 million per calendar quarter of such fee paid in shares of the Company's common stock at a price per share equal to the most recently published net asset value per share.

The Advisor has also agreed that all shares of the Company's common stock issued to it in consideration of the asset management fee will be subordinate in the Company's share repurchase program (the "Share Repurchase Program") to shares of the Company's common stock held by third party stockholders for a period of two years, unless the advisory agreement is earlier terminated.

Incentive Fee

The Advisor is entitled to receive distributions equal to 15.0% of net cash flows of the Company, whether from continuing operations, repayment of loans, disposition of assets or otherwise, but only after stockholders have received, in the aggregate, cumulative distributions equal to their invested capital plus a 6.75% cumulative, non-compounded annual pre-tax return on such invested capital. From inception through December 31, 2020, the Advisor has not received any incentive fees from the Company.

Acquisition Fee

Effective January 1, 2018, the Advisor no longer receives an acquisition fee in connection with the Company's acquisitions of real estate properties or debt investments.

Disposition Fee

For substantial assistance in connection with the sale of investments and based on the services provided, as determined by the Company's independent directors, the Advisor could have received a disposition fee of 2.0% of the contract sales price of each property sold and 1.0% of the contract sales price of each debt investment sold. The Company did not pay a disposition fee upon the maturity, prepayment, workout, modification or extension of a debt investment unless there was a corresponding fee paid by the borrower, in which case the disposition fee was the lesser of: (i) 1.0% of the principal amount of the debt investment prior to such transaction; or (ii) the amount of the fee paid by the borrower in connection with such transaction. If the Company took ownership of a property as a result of a workout or foreclosure of a debt investment, the Company paid a disposition fee upon the sale of such property. A disposition fee from the sale of an investment was generally expensed and included in asset management and other fees - related party in the Company's consolidated statements of operations. A disposition fee for a debt investment incurred in a transaction other than a sale was included in debt investments, net on the consolidated balance sheets and was amortized to interest income over the life of the investment using the effective interest method.

Effective June 30, 2020, the Advisor no longer has the potential to receive a disposition fee in connection with the sale of real estate properties or debt investments.

Reimbursements to Advisor

Operating Costs

The Advisor is entitled to receive reimbursement for direct and indirect operating costs incurred by the Advisor in connection with administrative services provided to the Company. The Advisor allocates, in good faith, indirect costs to the Company related to the Advisor's and its affiliates' employees, occupancy and other general and administrative costs and expenses in accordance with the terms of, and subject to the limitations contained in, the advisory agreement with the Advisor. The indirect costs include the Company's allocable share of the Advisor's compensation and benefit costs associated with dedicated or partially dedicated personnel who spend all or a portion of their time managing the Company's affairs, based upon the percentage of time devoted by such personnel to the Company's affairs. The indirect costs also include rental and occupancy, technology, office supplies, travel and entertainment and other general and administrative costs and expenses. However, there is no reimbursement for personnel costs related to executive officers (although there may be reimbursement for certain executive officers of the Advisor) and other personnel involved in activities for which the Advisor receives an acquisition fee or a disposition fee. The Advisor allocates these costs to the Company relative to its and its affiliates' other managed companies in good faith and has reviewed the allocation with the Company's board of directors, including its independent directors. The Advisor updates the board of directors on a quarterly basis of any material changes to the expense allocation and provides a detailed review to the board of directors, at least annually, and as otherwise requested by the board of directors. The Company reimburses the Advisor quarterly for operating costs (including the asset management fee) based on a calculation for the four preceding fiscal quarters not to exceed the greater of: (i) 2.0% of its average invested assets; or (ii) 25.0% of its net income determined without reduction for any additions to reserves for depreciation, loan losses or other similar non-cash reserves and excluding any gain from the sale of assets for that period. Notwithstanding the above, the Company may reimburse the Advisor for expenses in excess of this limitation if a majority of the Company's independent directors determines that such excess expenses are justified based on unusual and non-recurring factors. The Company calculates the expense reimbursement quarterly based upon the trailing twelve-month period.

Summary of Fees and Reimbursements

The following tables present the fees and reimbursements incurred and paid to the Advisor (dollars in thousands):

Type of Fee or Reimbursement	Financial Statement Location	Due to Related Party as of December 31, 2019	Year Ended December 31, 2020		Due to Related Party as of December 31, 2020
			Incurred	Paid	
Fees to Advisor Entities[1]					
Asset management[2]	Asset management and other fees-related party	$ 1,477	$ 17,170	$ (17,724) [2]	$ 923
Reimbursements to Advisor Entities					
Operating costs[3]	General and administrative expenses	4,303	14,682	(11,590)	7,395
Total		$ 5,780	$ 31,852	$ (29,314)	$ 8,318

(1) Effective June 30, 2020, our Advisor no longer has the potential to receive a disposition fee in connection with the sale of real estate properties or debt investments. The Company did not incur any disposition fees during the year ended December 31, 2020, nor were any such fees outstanding as of December 31, 2020.
(2) Includes $9.7 million paid in shares of the Company's common stock and a $0.3 million gain recognized on the settlement of the share-based payment.
(3) As of December 31, 2020, the Advisor did not have any unreimbursed operating costs which remained eligible to be allocated to the Company.

Type of Fee or Reimbursement	Financial Statement Location	Due to Related Party as of December 31, 2018	Year Ended December 31, 2019		Due to Related Party as of December 31, 2019
			Incurred	Paid	
Fees to Advisor Entities[1]					
Asset management[2]	Asset management and other fees-related party	$ 1,665	$ 19,789	$ (19,977) [2]	$ 1,477
Reimbursements to Advisor Entities					
Operating costs[3]	General and administrative expenses	4,010	11,892	(11,599)	4,303
Total		$ 5,675	$ 31,681	$ (31,576)	$ 5,780

(1) The Company did not incur any disposition fees during the year ended December 31, 2019, nor were any such fees outstanding as of December 31, 2019.
(2) Includes $9.9 million paid in shares of the Company's common stock and a $0.1 million gain recognized on the settlement of the share-based payment.
(3) As of December 31, 2019, the Advisor did not have any unreimbursed operating costs which remained eligible to be allocated to the Company.

Pursuant to the advisory agreement, for the year ended December 31, 2020, the Company issued 1.6 million shares totaling $9.7 million, based on the estimated value per share on the date of each issuance, to an affiliate of the Advisor as part of its asset management fee. As of December 31, 2020, the Advisor, the Sponsor and their affiliates owned a total of 4.7 million shares or $18.3 million of the Company's common stock based on the Company's most recent estimated value per share. As of December 31, 2020, the Advisor, the Sponsor and their affiliates owned 2.1% of the total outstanding shares of the Company's common stock.

Investments in Joint Ventures

Solstice, the manager of the Winterfell portfolio, is a joint venture between affiliates of ISL, which owns 80.0%, and the Company, which owns 20.0%. For the year ended December 31, 2020, the Company recognized property management fee expense of $5.0 million paid to Solstice related to the Winterfell portfolio.

The below table indicates the Company's investments for which Colony Capital is also an equity partner in the joint venture. Each investment was approved by the Company's board of directors, including all of its independent directors. Refer to Note 4, "Investments in Unconsolidated Ventures" for further discussion of these investments:

Portfolio	Partner(s)	Acquisition Date	Ownership
Eclipse	Colony Capital/ Formation Capital, LLC	May 2014	5.6%
Diversified US/UK (Formerly Griffin-American)	Colony Capital	December 2014	14.3%

In connection with the acquisition of the Diversified US/UK (formerly Griffin-American) portfolio by NorthStar Realty Finance Corp. ("NorthStar Realty"), now a subsidiary of Colony Capital, and the Company, the Sponsor acquired a 43.0%, as adjusted, ownership interest in American Healthcare Investors, LLC ("AHI").

In December 2015, the Company, through a joint venture with Griffin-American Healthcare REIT III, Inc., a REIT sponsored and advised by AHI, acquired a 29.0% interest in the Trilogy portfolio, a $1.2 billion healthcare portfolio and contributed $201.7 million for its interest. The purchase was approved by the Company's board of directors, including all of its independent directors.

In October 2018, the Company sold 20.0% of its ownership interest in the Trilogy joint venture, which generated gross proceeds of $48.0 million and reduced its ownership interest in the joint venture from approximately 29% to 23%. The Company sold the ownership interest to a wholly-owned subsidiary of the operating partnership of Griffin-American Healthcare REIT IV, Inc., a REIT sponsored by AHI.

Mezzanine Loan

In July 2015, the Company originated a $75.0 million mezzanine loan to a subsidiary of the Espresso joint venture, of which the Company owns a minority interest. Refer to Note 5, "Real Estate Debt Investments" for further discussion.

Line of Credit - Related Party

The Company has the Sponsor Line, which provides up to $35.0 million at an interest rate of 3.5% plus LIBOR. Refer to Note 6, "Borrowings" for further discussion.

8. Equity-Based Compensation

The Company adopted a long-term incentive plan, as amended (the "Plan"), which it may use to attract and retain qualified officers, directors, employees and consultants, as well as an independent directors compensation plan, which is a component of the Plan. Under the Plan, 2.0 million shares of restricted common stock were eligible to be issued. Pursuant to the Plan, as of December 31, 2020, the Company's independent directors were granted a total of 159,932 shares of restricted common stock for an aggregate $1.3 million, based on the share price on the date of each grant. The restricted stock granted prior to 2015 generally vested quarterly over four years and the restricted stock granted in and subsequent to 2015 generally vests quarterly over two years. However, the stock will become fully vested on the earlier occurrence of: (i) the termination of the independent director's service as a director due to his or her death or disability; or (ii) a change in control of the Company.

The Company recognized equity-based compensation expense of $0.2 million, for the years ended December 31, 2020, 2019 and 2018, respectively. Equity-based compensation expense is related to the issuance of restricted stock to the independent directors

and is recorded in general and administrative expenses in the consolidated statements of operations. Unrecognized equity-based compensation for unvested shares totaled $0.2 million as of December 31, 2020 and 2019, respectively. Unvested shares totaled 30,403 and 25,360 as of December 31, 2020 and December 31, 2019, respectively.

9. Stockholders' Equity

Common Stock

The Company stopped accepting subscriptions for its Offering on December 17, 2015 and all of the shares initially registered for its Offering were issued on or before January 19, 2016. The Company issued 173.4 million shares of common stock generating gross proceeds of $1.7 billion, excluding proceeds from the DRP.

Distribution Reinvestment Plan

The Company adopted the DRP through which common stockholders may elect to reinvest an amount equal to the distributions declared on their shares in additional shares of the Company's common stock in lieu of receiving cash distributions. The purchase price under the Company's Initial DRP was $9.50. In connection with its determination of the offering price for shares of the Company's common stock in the follow-on offering, the board of directors determined that distributions may be reinvested in shares of the Company's common stock at a price of $9.69 per share, which was approximately 95% of the offering price of $10.20 per share established for purposes of the follow-on offering. In April 2016, the board of directors determined that distributions may be reinvested in shares of the Company's common stock at a price equal to the most recent estimated value per share of the shares of common stock. The following table presents the price at which dividends were invested based on when the price became effective:

Effective Date	Estimated Value per Share	Valuation Date
April 2016	$ 8.63	12/31/2015
December 2016	9.10	6/30/2016
December 2017	8.50	6/30/2017
December 2018	7.10	6/30/2018
December 2019	6.25	6/30/2019
December 2020	3.89	6/30/2020

No selling commissions or dealer manager fees were paid on shares issued pursuant to the DRP. The board of directors of the Company may amend, suspend or terminate the DRP for any reason upon ten-days' notice to participants, except that the Company may not amend the DRP to eliminate a participant's ability to withdraw from the DRP.

For the year ended December 31, 2020, the Company has not issued shares of common stock pursuant to the DRP. From inception through December 31, 2020, the Company issued 25.7 million shares of common stock, generating gross offering proceeds of $232.6 million pursuant to the DRP.

Distributions

From inception through December 31, 2017, distributions to stockholders were declared quarterly by the board of directors of the Company and paid monthly based on a daily amount of $0.00184932 per share, equivalent to an annualized distribution amount of $0.675 per share of the Company's common stock.

During the year ended December 31, 2018, the Company's board of directors approved daily cash distributions of $0.000924658 per share of common stock, equivalent to an annualized distribution amount of $0.3375 per share.

The Company's board of directors approved daily cash distributions of $0.000924658 per share of common stock for the month ending January 31, 2019. Effective February 1, 2019, the Company's board of directors determined to suspend distributions in order to preserve capital and liquidity.

Distributions were generally paid to stockholders on the first business day of the month following the month for which the distribution was accrued.

No distributions were declared during the year ended December 31, 2020. The following table presents distributions declared for the years ended December 31, 2019 and 2018 (dollars in thousands):

	Distributions[1]		
Period	**Cash**	**DRP**	**Total**
2019			
First Quarter	$ 2,991	$ 2,422	$ 5,413
Second Quarter	—	—	—
Third Quarter	—	—	—
Fourth Quarter	—	—	—
Total	$ 2,991	$ 2,422	$ 5,413
2018			
First Quarter	$ 7,684	$ 7,876	$ 15,560
Second Quarter	8,028	7,722	15,750
Third Quarter	8,374	7,567	15,941
Fourth Quarter	8,653	7,352	16,005
Total	$ 32,739	$ 30,517	$ 63,256

(1) Represents distributions declared for the period, even though such distributions are actually paid to stockholders in the month following such period.

In order to continue to qualify as a REIT, the Company must distribute annually dividends equal to at least 90% of its REIT taxable income (with certain adjustments). For the year ended December 31, 2020, the Company generated net operating losses for tax purposes. The Company did not have positive REIT taxable income for its taxable year ending December 31, 2019, therefore, it was not required to make distributions to its stockholders in 2019 to qualify as a REIT. The Company's most recently filed tax return is for the year ended December 31, 2019 and includes a net operating loss carry-forward of $86.0 million.

Share Repurchase Program

The Company adopted the Share Repurchase Program that enabled stockholders to sell their shares to the Company in limited circumstances. The Company is not obligated to repurchase shares under the Share Repurchase Program. The Company may amend, suspend or terminate the Share Repurchase Program at its discretion at any time, subject to certain notice requirements.

In October 2018, the Company's board of directors approved an amended and restated Share Repurchase Program, under which the Company only repurchased shares in connection with the death or qualifying disability of a stockholder at a price equal to the lesser of the price paid for the shares, as adjusted for any stock dividends, combinations, splits, recapitalizations or any similar transactions, or the most recently published estimated value per share. The amended and restated Share Repurchase Program became effective October 29, 2018.

In April 2020, the Company's board of directors determined to suspend all repurchases under the Share Repurchase Program effective April 30, 2020 in order to preserve capital and liquidity.

For the year ended December 31, 2020, the Company repurchased 0.3 million shares of common stock for $2.1 million at an average price of $6.29 per share. For the year ended December 31, 2019, the Company repurchased 1.5 million shares of common stock for $10.7 million at an average price of $7.10 per share pursuant to the Share Repurchase Program.

The Company has funded repurchase requests received during the year with cash on hand, borrowings or other available capital.

10. Non-controlling Interests

Operating Partnership

Non-controlling interests include the aggregate limited partnership interests in the Operating Partnership held by limited partners, other than the Company. Income (loss) attributable to the non-controlling interests is based on the limited partners' ownership percentage of the Operating Partnership. Income (loss) allocated to the Operating Partnership non-controlling interests for the years ended December 31, 2020, 2019 and 2018 was de minimis.

Other

Other non-controlling interests represent third-party equity interests in ventures that are consolidated with the Company's financial statements. Net loss attributable to the other non-controlling interests was $2.8 million, $0.8 million and $0.4 million for the years ended December 31, 2020, 2019 and 2018 respectively.

11. Fair Value

Fair Value Measurement

The fair value of financial instruments is categorized based on the priority of the inputs to the valuation technique and categorized into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded at fair value on the consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1. Quoted prices for identical assets or liabilities in an active market.

Level 2. Financial assets and liabilities whose values are based on the following:

a) Quoted prices for similar assets or liabilities in active markets.

b) Quoted prices for identical or similar assets or liabilities in non-active markets.

c) Pricing models whose inputs are observable for substantially the full term of the asset or liability.

d) Pricing models whose inputs are derived principally from or corroborated by observable market data for substantially the full term of the asset or liability.

Level 3. Prices or valuation techniques based on inputs that are both unobservable and significant to the overall fair value measurement.

Fair Value of Financial Instruments

U.S. GAAP requires disclosure of fair value about all financial instruments. The following disclosure of estimated fair value of financial instruments was determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on estimated fair value.

The following table presents the principal amount, carrying value and fair value of certain financial assets and liabilities (dollars in thousands):

	December 31, 2020			December 31, 2019		
	Principal Amount	Carrying Value	Fair Value	Principal Amount	Carrying Value	Fair Value
Financial assets:[1]						
Real estate debt investments, net	$ 74,182	$ 55,864	$ 74,182	$ 74,182	$ 55,468	$ 74,182
Financial liabilities:[1]						
Mortgage and other notes payable, net	$ 1,435,384	$ 1,416,871	$ 1,354,832	$ 1,455,413	$ 1,431,922	$ 1,450,876
Line of credit - related party	35,000	35,000	35,000	—	—	—

(1) The fair value of other financial instruments not included in this table is estimated to approximate their carrying value.

Disclosure about fair value of financial instruments is based on pertinent information available to management as of the reporting date. Although management is not aware of any factors that would significantly affect fair value, such amounts have not been comprehensively revalued for purposes of these consolidated financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

Real Estate Debt Investments, Net

The Company's real estate debt investment's fair value was determined by comparing the current yield to the estimated yield for newly originated loans with similar credit risk or the market yield at which a third party might expect to purchase such

investment; or based on discounted cash flow projections of principal and interest expected to be collected, which includes consideration of the financial standing of the borrower or sponsor as well as operating results of the underlying collateral. As of the reporting date, the Company believes that principal amount approximates fair value. The fair value measurement of the Company's real estate debt investment is generally based on unobservable inputs, and as such, are classified as Level 3 of the fair value hierarchy.

Mortgage and Other Notes Payable, Net and Line of Credit - Related Party

The Company primarily uses rates currently available with similar terms and remaining maturities to estimate fair value. These measurements are determined using comparable U.S. Treasury and LIBOR rates as of the end of the reporting period. These fair value measurements are based on observable inputs, and as such, are classified as Level 2 of the fair value hierarchy.

Nonrecurring Fair Values

The Company measures fair value of certain assets on a nonrecurring basis when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Adjustments to fair value generally result from the application of lower of amortized cost or fair value accounting for assets held for sale or otherwise, write-down of asset values due to impairment.

The following table summarizes the fair value, measured at the time of impairment, of Level 3 assets which have been measured at fair value on a nonrecurring basis during the periods presented and the associated impairment losses (dollars in thousands):

	Year Ended December 31,					
	2020		2019		2018	
	Fair Value	Impairment Losses	Fair Value	Impairment Losses	Fair Value	Impairment Losses
Operating real estate, net	$ 234,650	$ 164,215	$ 58,804	$ 27,021	$ 47,955	$ 31,000
Assets held for sale	5,000	1,753	1,649	533	2,183	2,494

Operating Real Estate, Net

Operating real estate that is impaired is carried at fair value at the time of impairment. Impairment was driven by various factors that impacted undiscounted future net cash flows, including declines in operating performance, market growth assumptions, and expected margins to be generated by the properties. Fair value of impaired operating real estate was estimated based upon various approaches including discounted cash flow analysis using terminal capitalization rates ranging from 6.00% to 7.75% and discount rates ranging from 7.0% to 8.75%, third party appraisals, offer prices or broker opinions of value.

Assets Held For Sale

Assets held for sale are carried at the lower of amortized cost or fair value. Assets held for sale that were written down to fair value were generally valued using either broker opinions of value, or a combination of market information, including third-party appraisals and indicative sale prices, adjusted as deemed appropriate by management to account for the inherent risk associated with specific properties. In all cases, fair value of real estate held for sale is reduced for estimated selling costs.

12. Quarterly Financial Information (Unaudited)

The following tables present select quarterly information for the years ended December 31, 2020 and 2019 (dollars in thousands, except per share data):

	Three Months Ended			
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Property and other revenues	$ 66,841	$ 67,755	$ 69,308	$ 72,891
Net interest income	1,936	1,927	1,906	1,905
Real estate properties - operating expenses	46,648	46,501	45,328	45,701
Impairment loss	74,531	—	91,437	—
Expenses	165,333	86,782	176,432	86,336
Equity in earnings (losses) of unconsolidated ventures	2,333	(1,043)	(34,763)	(993)
Net income (loss)	(93,538)	(18,158)	(139,995)	(12,547)
Net income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	(91,709)	(17,987)	(139,281)	(12,481)
Net income (loss) per share of common stock, basic/diluted[1]	$ (0.48)	$ (0.09)	$ (0.74)	$ (0.07)

(1) The total for the year may differ from the sum of the quarters as a result of weighting.

	Three Months Ended			
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Property and other revenues	$ 72,907	$ 72,778	$ 74,972	$ 72,521
Net interest income	1,932	1,946	1,923	1,902
Real estate properties - operating expenses	46,001	45,359	44,636	45,218
Impairment loss	17,408	—	10,146	—
Expenses	106,235	86,571	95,420	93,099
Equity in earnings (losses) of unconsolidated ventures	4,121	(3,037)	(4,405)	(224)
Net income (loss)	(26,924)	(14,697)	(17,460)	(18,669)
Net income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	(26,573)	(14,624)	(17,146)	(18,617)
Net income (loss) per share of common stock, basic/diluted[1]	$ (0.13)	$ (0.08)	$ (0.09)	$ (0.10)

(1) The total for the year may differ from the sum of the quarters as a result of weighting.

13. Segment Reporting

The Company conducts its business through the following five segments, which are based on how management reviews and manages its business.

- *Direct Investments - Net Lease* - Healthcare properties operated under net leases with an operator.
- *Direct Investments - Operating* - Healthcare properties operated pursuant to management agreements with healthcare managers.
- *Unconsolidated Investments* - Healthcare joint ventures, including properties operated under net leases with operators or pursuant to management agreements with healthcare managers, in which the Company owns a minority interest.
- *Debt and Securities Investments* - Mortgage loans or mezzanine loans to owners of healthcare real estate and commercial mortgage backed securities backed primarily by loans secured by healthcare properties.
- *Corporate* - The corporate segment includes corporate level asset management and other fees - related party and general and administrative expenses.

The Company primarily generates rental and resident fee income from its direct investments and interest income on real estate debt and securities investments.

The following table presents the operators and managers of the Company's properties, excluding properties owned through unconsolidated joint ventures (dollars in thousands):

Operator / Manager		Properties Under Management	Units Under Management[1]	Year Ended December 31, 2020	
				Property and Other Revenues[2]	% of Total Property and Other Revenues
Watermark Retirement Communities		30	5,265	$ 138,708	50.3 %
Solstice Senior Living	(3)	32	4,000	101,054	36.7 %
Avamere Health Services		5	453	17,367	6.3 %
Arcadia Management		4	572	10,615	3.9 %
Integral Senior Living	(4)	1	44	7,405	2.7 %
Senior Lifestyle Corporation	(5)	1	63	—	— %
Other	(6)	—	—	199	0.1 %
Total		73	10,397	$ 275,348	100.0 %

(1) Represents rooms for ALFs and ILFs and beds for MCFs and SNFs, based on predominant type.
(2) Includes rental income received from the Company's net lease properties as well as rental income, ancillary service fees and other related revenue earned from ILF residents and resident fee income derived from the Company's ALFs, MCFs and CCRCs, which includes resident room and care charges, ancillary fees and other resident service charges.
(3) Solstice is a joint venture of which affiliates of ISL own 80%.
(4) Property count and units excludes two ISL properties designated as held for sale as of December 31, 2020.
(5) Operator has failed to remit rental payments during the year ended December 31, 2020.
(6) Consists primarily of interest income earned on corporate-level cash accounts.

The following tables present segment reporting (dollars in thousands):

Year Ended December 31, 2020	Direct Investments		Unconsolidated Investments	Debt and Securities	Corporate[1]	Total
	Net Lease	Operating				
Property and other revenues	$ 32,899	$ 242,250	$ —	$ —	$ 199	$ 275,348
Interest income on debt investments	—	—	—	7,674	—	7,674
Real estate properties - operating expenses	(13)	(184,165)	—	—	—	(184,178)
Interest expense	(11,832)	(53,210)	—	—	(949)	(65,991)
Transaction costs	(58)	(7)	—	—	—	(65)
Asset management and other fees - related party	—	—	—	—	(17,170)	(17,170)
General and administrative expenses	(804)	(296)	—	(19)	(15,386)	(16,505)
Depreciation and amortization	(14,940)	(50,066)	—	—	—	(65,006)
Impairment loss	(722)	(165,246)	—	—	—	(165,968)
Other income	—	1,840	—	—	—	1,840
Realized gain (loss) on investments and other	—	(13)	—	—	315	302
Equity in earnings (losses) of unconsolidated ventures	—	—	(34,466)	—	—	(34,466)
Income tax expense	—	(53)	—	—	—	(53)
Net income (loss)	$ 4,530	$ (208,966)	$ (34,466)	$ 7,655	$ (32,991)	$ (264,238)

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Direct Investments					
Year Ended December 31, 2019	**Net Lease**	**Operating**	**Unconsolidated Investments**	**Debt and Securities**	**Corporate[1]**	**Total**
Property and other revenues	$ 33,424	$ 259,033	$ —	$ 35	$ 686	$ 293,178
Interest income on debt investments	—	—	—	7,703	—	7,703
Real estate properties - operating expenses	(11)	(181,203)	—	—	—	(181,214)
Interest expense	(12,434)	(56,360)	—	—	(102)	(68,896)
Transaction costs	—	(122)	—	—	—	(122)
Asset management and other fees - related party	—	—	—	—	(19,789)	(19,789)
General and administrative expenses	(268)	(42)	—	(38)	(12,413)	(12,761)
Depreciation and amortization	(14,329)	(56,660)	—	—	—	(70,989)
Impairment loss	(4,132)	(23,422)	—	—	—	(27,554)
Realized gain (loss) on investments and other	5,872	719	—	—	(277)	6,314
Equity in earnings (losses) of unconsolidated ventures	—	—	(3,545)	—	—	(3,545)
Income tax benefit (expense)	—	(75)	—	—	—	(75)
Net income (loss)	$ 8,122	$ (58,132)	$ (3,545)	$ 7,700	$ (31,895)	$ (77,750)

(1) Includes unallocated asset management fee-related party and general and administrative expenses.

	Direct Investments							
Year Ended December 31, 2018	**Net Lease**	**Operating**	**Unconsolidated Investments**	**Debt and Securities**	**Corporate[1]**	**Subtotal**	**Investing VIE[2]**	**Total**
Property and other revenues	$ 34,276	$ 258,779	$ —	$ 375	$ 841	$ 294,271	$ —	$ 294,271
Net interest income	—	—	—	8,534	(314) (3)	8,220	811	9,031
Real estate properties - operating expenses	(1,346)	(187,415)	—	—	—	(188,761)	—	(188,761)
Interest expense	(13,326)	(56,595)	—	—	(275)	(70,196)	—	(70,196)
Other expenses related to securitization trust	—	—	—	—	—	—	(811)	(811)
Transaction costs	(60)	(828)	—	—	—	(888)	—	(888)
Asset management and other fees - related party	—	—	—	—	(23,478)	(23,478)	—	(23,478)
General and administrative expenses	(183)	(856)	(2)	(46)	(13,303)	(14,390)	—	(14,390)
Depreciation and amortization	(13,694)	(93,439)	—	—	—	(107,133)	—	(107,133)
Impairment loss	(5,094)	(31,183)	—	—	—	(36,277)	—	(36,277)
Unrealized gain (loss) on mortgage loans held in securitization trust, net	—	—	—	(314)	314 (3)	—	—	—
Realized gain (loss) on investments and other	—	2,525	14,086	3,495	137	20,243	—	20,243
Equity in earnings (losses) of unconsolidated ventures	—	—	(33,517)	—	—	(33,517)	—	(33,517)
Income tax benefit (expense)	—	(114)	—	—	—	(114)	—	(114)
Net income (loss)	$ 573	$ (109,126)	$ (19,433)	$ 12,044	$ (36,078)	$ (152,020)	$ —	$ (152,020)

(1) Includes unallocated asset management fee-related party and general and administrative expenses.
(2) Investing VIEs are not considered to be a segment that the Company conducts its business through, however U.S. GAAP requires the Company, as the primary beneficiary, to present the assets and liabilities of the securitization trust on its consolidated balance sheets and recognize the related interest income and interest expense, as net interest income on the consolidated statements of operations. Though U.S. GAAP requires this presentation, the Company views its investment in the securitization trust as a net investment in debt and securities.
(3) Represents income earned from the healthcare-related securities purchased at a discount, recognized using the effective interest method had the transaction been recorded as an available for sale security, at amortized cost. During the year ended December 31, 2018, $0.3 million was attributable to discount accretion income and was eliminated in consolidation in the corporate segment.

The following table presents total assets by segment (dollars in thousands):

	Direct Investments					
Total Assets:	**Net Lease**	**Operating**	**Unconsolidated Investments**	**Debt and Securities**	**Corporate[1]**	**Total**
December 31, 2020	$ 348,688	$1,223,045	$ 229,170	$ 56,502	$ 61,031	$ 1,918,436
December 31, 2019	365,789	1,420,023	268,892	56,099	30,404	2,141,207

(1) Represents primarily corporate cash and cash equivalents balances.

14. Commitments and Contingencies

As of December 31, 2020, the Company believes there are no material contingencies that would affect its results of operations, cash flows or financial position.

Litigation and Claims

The Company may be involved in various litigation matters arising in the ordinary course of its business. Although the Company is unable to predict with certainty the eventual outcome of any litigation, any current legal proceedings are not expected to have a material adverse effect on its financial position or results of operations.

The Company's tenants, operators and managers may be involved in various litigation matters arising in the ordinary course of their business. The unfavorable resolution of any such actions, investigations or claims could, individually or in the aggregate, materially adversely affect such tenants', operators' or managers' liquidity, financial condition or results of operations and their ability to satisfy their respective obligations to the Company, which, in turn, could have a material adverse effect on the Company.

Environmental Matters

The Company follows a policy of monitoring its properties for the presence of hazardous or toxic substances. While there can be no assurance that a material environmental liability does not exist at its properties, the Company is not currently aware of any environmental liability with respect to its properties that would have a material effect on its consolidated financial position, results of operations or cash flows. Further, the Company is not aware of any material environmental liability or any unasserted claim or assessment with respect to an environmental liability that it believes would require additional disclosure or the recording of a loss contingency.

General Uninsured Losses

The Company obtains various types of insurance to mitigate the impact of property, business interruption, liability, flood, windstorm, earthquake, environmental and terrorism related losses. The Company attempts to obtain appropriate policy terms, conditions, limits and deductibles considering the relative risk of loss, the cost of such coverage and current industry practice. There are, however, certain types of extraordinary losses, such as those due to acts of war or other events that may be either uninsurable or not economically insurable.

Other

Other commitments and contingencies include the usual obligations of real estate owners and operators in the normal course of business, as well as commitments to fund capital expenditures for certain net lease properties. These commitments do not have a required minimum funding and are limited by agreed upon maximum annual funding amounts.

15. Subsequent Events

The following is a discussion of material events which have occurred subsequent to December 31, 2020 through the issuance of the consolidated financial statements.

Borrowings

In January 2021, the Company refinanced an existing $18.7 million mortgage note payable, collateralized by a property within the Aqua portfolio, with a $26.0 million mortgage note payable. The new mortgage note carries a fixed interest rate of 3.0% through February 2024 and has initial maturity date of February 2026.

In January 2021, the Company extended the maturity date of a mortgage note payable for a property within the Aqua portfolio from February 2021 to April 2021. The outstanding principal amount of the mortgage note payable was $20.2 million as of December 31, 2020.

Real Estate Debt Investments

From January 1, 2021 through March 18, 2021, we have received principal repayments on our mezzanine loan debt investment which total $24.9 million. The borrower funded these principal repayments through net proceeds generated from the sale of underlying collateral and available operating cash flow.

COIVD-19 Provider Relief Funding

In January 2021, the Company's direct operating investments received $6.8 million in grants from DHHS under the Provider Relief Fund. These grants are intended to mitigate the negative financial impact of the COVID-19 pandemic as reimbursements for expenses incurred to prevent, prepare for and respond to COVID-19 and lost revenues attributable to COVID-19investments.

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2020
(Dollars in Thousands)

Column A	Column B	Column C Initial Cost		Column D Capitalized Subsequent to Acquisition[1]	Column E Gross Amount Carried at Close of Period[2]			Column F		Column G	Column H
Location City, State	Encumbrances	Land	Building & Improvements	Land, Buildings & Improvements	Land	Building & Improvements	Total	Accumulated Depreciation	Total	Date Acquired	Life on Which Depreciation is Computed
Net Lease Portfolio											
Smyrna, GA	$ —	$ 825	$ 9,175	$ (5,730)	$ 825	$ 3,445	$ 4,270	$ 1,561	$ 2,709	Dec-13	40 years
Bohemia, NY	23,214	4,258	27,805	160	4,258	27,965	32,223	5,050	27,173	Sep-14	40 years
Hauppauge, NY	14,084	2,086	18,495	1,351	2,086	19,846	21,932	3,829	18,103	Sep-14	40 years
Islandia, NY	34,670	8,437	37,198	291	8,437	37,489	45,926	6,904	39,022	Sep-14	40 years
Westbury, NY	15,334	2,506	19,163	293	2,506	19,456	21,962	3,466	18,496	Sep-14	40 years
Bellevue, WA	29,763	13,801	18,208	4,092	13,801	22,300	36,101	5,248	30,853	Jun-15	40 years
Dana Point, CA	31,552	6,286	41,199	727	6,286	41,926	48,212	6,891	41,321	Jun-15	40 years
Kalamazoo, MI	33,520	4,521	30,870	2,987	4,521	33,857	38,378	7,188	31,190	Jun-15	40 years
Oklahoma City, OK	2,890	3,104	6,119	1,477	3,104	7,596	10,700	2,765	7,935	Jun-15	40 years
Palm Desert, CA	19,901	5,365	38,889	2,981	5,365	41,870	47,235	8,422	38,813	Jun-15	40 years
Sarasota, FL	72,029	12,845	64,403	4,985	12,845	69,388	82,233	13,326	68,907	Jun-15	40 years
Seniors Housing Operating Portfolio											
Milford, OH	18,760	1,160	14,440	1,767	1,160	16,207	17,367	3,869	13,498	Dec-13	40 years
Milford, OH	—	700	—	5,603	700	5,603	6,303	384	5,919	Jul-17	40 years
Denver, CO	20,189	4,300	27,200	(10,248)	4,300	16,952	21,252	7,409	13,843	Jan-14	40 years
Frisco, TX	18,770	3,100	35,874	2,646	3,100	38,520	41,620	7,440	34,180	Feb-14	40 years
Alexandria, VA	43,679	7,950	41,124	2,800	7,950	43,924	51,874	7,516	44,358	Jun-15	40 years
Crystal Lake, IL	26,657	6,580	28,210	(894)	6,580	27,316	33,896	5,483	28,413	Jun-15	40 years
Independence, MO	15,051	1,280	17,090	(1,692)	1,280	15,398	16,678	3,649	13,029	Jun-15	40 years
Millbrook, NY	23,951	6,610	20,854	(2,123)	6,610	18,731	25,341	5,198	20,143	Jun-15	40 years
St. Petersburg, FL	39,375	8,920	44,137	(19,577)	8,920	24,560	33,480	9,305	24,175	Jun-15	40 years
Tarboro, NC	21,854	2,400	17,800	1,749	2,400	19,549	21,949	4,512	17,437	Jun-15	40 years
Tuckahoe, NY	35,846	4,870	26,980	1,627	4,870	28,607	33,477	4,746	28,731	Jun-15	40 years
Tucson, AZ	63,978	7,370	60,719	5,990	7,370	66,709	74,079	11,931	62,148	Jun-15	40 years
Apple Valley, CA	20,956	1,168	24,625	(7,482)	1,168	17,143	18,311	3,815	14,496	Mar-16	40 years
Auburn, CA	23,675	1,694	18,438	1,233	1,694	19,671	21,365	3,407	17,958	Mar-16	40 years
Austin, TX	26,068	4,020	19,417	2,435	4,020	21,852	25,872	3,724	22,148	Mar-16	40 years
Bakersfield, CA	16,543	1,831	21,006	1,319	1,831	22,325	24,156	3,761	20,395	Mar-16	40 years
Bangor, ME	21,130	2,463	23,205	952	2,463	24,157	26,620	3,978	22,642	Mar-16	40 years
Bellingham, WA	23,462	2,242	18,807	1,566	2,242	20,373	22,615	3,443	19,172	Mar-16	40 years
Clovis, CA	18,464	1,821	21,721	715	1,821	22,436	24,257	3,644	20,613	Mar-16	40 years
Columbia, MO	22,340	1,621	23,521	870	1,621	24,391	26,012	3,914	22,098	Mar-16	40 years
Corpus Christi, TX	18,278	2,263	20,142	(5,447)	2,263	14,695	16,958	3,466	13,492	Mar-16	40 years
East Amherst, NY	18,207	2,873	18,279	648	2,873	18,927	21,800	3,099	18,701	Mar-16	40 years
El Cajon, CA	20,655	2,357	14,733	923	2,357	15,656	18,013	2,830	15,183	Mar-16	40 years
El Paso, TX	11,998	1,610	14,103	1,124	1,610	15,227	16,837	2,571	14,266	Mar-16	40 years
Fairport, NY	16,260	1,452	19,427	1,077	1,452	20,504	21,956	3,049	18,907	Mar-16	40 years
Fenton, MO	24,162	2,410	22,216	999	2,410	23,215	25,625	3,849	21,776	Mar-16	40 years
Grand Junction, CO	19,148	2,525	26,446	715	2,525	27,161	29,686	4,402	25,284	Mar-16	40 years
Grand Junction, CO	9,796	1,147	12,523	913	1,147	13,436	14,583	2,449	12,134	Mar-16	40 years
Grapevine, TX	21,947	1,852	18,143	(9,710)	1,852	8,433	10,285	3,145	7,140	Mar-16	40 years
Groton, CT	17,292	3,673	21,879	(9,371)	3,673	12,508	16,181	3,986	12,195	Mar-16	40 years
Guilford, CT	23,877	6,725	27,488	(23,109)	6,725	4,379	11,104	4,010	7,094	Mar-16	40 years
Joliet, IL	14,675	1,473	23,427	(7,175)	1,473	16,252	17,725	3,559	14,166	Mar-16	40 years
Kennewick, WA	7,543	1,168	18,933	820	1,168	19,753	20,921	3,215	17,706	Mar-16	40 years
Las Cruces, NM	10,992	1,568	15,091	1,399	1,568	16,490	18,058	2,739	15,319	Mar-16	40 years
Lees Summit, MO	26,716	1,263	20,500	1,084	1,263	21,584	22,847	3,742	19,105	Mar-16	40 years
Lodi, CA	19,792	2,863	21,152	1,029	2,863	22,181	25,044	3,728	21,316	Mar-16	40 years
Normandy Park, WA	15,972	2,031	16,407	987	2,031	17,394	19,425	2,948	16,477	Mar-16	40 years

Column A	Column B	Column C Initial Cost		Column D Capitalized Subsequent to Acquisition[1]	Column E Gross Amount Carried at Close of Period[2]			Column F		Column G	Column H
Location City, State	Encumbrances	Land	Building & Improvements	Land, Buildings & Improvements	Land	Building & Improvements	Total	Accumulated Depreciation	Total	Date Acquired	Life on Which Depreciation is Computed
Palatine, IL	19,761	1,221	26,993	(12,068)	1,221	14,925	16,146	4,755	11,391	Mar-16	40 years
Plano, TX	15,811	2,200	14,860	(6,201)	2,200	8,659	10,859	2,837	8,022	Mar-16	40 years
Renton, WA	18,743	2,642	20,469	952	2,642	21,421	24,063	3,631	20,432	Mar-16	40 years
Sandy, UT	15,523	2,810	19,132	(6,021)	2,810	13,111	15,921	3,167	12,754	Mar-16	40 years
Santa Rosa, CA	27,457	5,409	26,183	1,697	5,409	27,880	33,289	4,652	28,637	Mar-16	40 years
Sun City West, AZ	25,230	2,684	29,056	(6,820)	2,684	22,236	24,920	5,004	19,916	Mar-16	40 years
Tacoma, WA	29,572	7,974	32,435	2,352	7,977	34,784	42,761	5,947	36,814	Mar-16	40 years
Frisco, TX	—	1,130	—	12,595	1,130	12,595	13,725	1,634	12,091	Oct-16	40 years
Albany, OR	8,650	958	6,625	(3,606)	758	3,219	3,977	1,055	2,922	Feb-17	40 years
Port Townsend, WA	16,537	1,613	21,460	658	996	22,735	23,731	2,999	20,732	Feb-17	40 years
Roseburg, OR	12,236	699	11,589	645	459	12,474	12,933	1,639	11,294	Feb-17	40 years
Sandy, OR	13,956	1,611	16,697	772	1,233	17,847	19,080	2,205	16,875	Feb-17	40 years
Santa Barbara, CA	3,914	2,408	15,674	343	2,408	16,017	18,425	1,734	16,691	Feb-17	40 years
Wenatchee, WA	19,048	2,540	28,971	865	1,534	30,842	32,376	3,559	28,817	Feb-17	40 years
Churchville, NY	6,575	296	7,712	479	296	8,191	8,487	1,134	7,353	Aug-17	35 years
Greece, NY	—	534	18,158	(11,126)	533	7,033	7,566	1,431	6,135	Aug-17	49 years
Greece, NY	26,833	1,007	31,960	1,477	1,007	33,437	34,444	3,762	30,682	Aug-17	41 years
Henrietta, NY	11,881	1,153	16,812	930	1,152	17,743	18,895	2,561	16,334	Aug-17	36 years
Penfield, NY	12,502	781	20,273	(8,440)	781	11,833	12,614	2,692	9,922	Aug-17	30 years
Penfield, NY	10,918	516	9,898	490	515	10,389	10,904	1,406	9,498	Aug-17	35 years
Rochester, NY	19,907	2,426	31,861	1,708	2,425	33,570	35,995	3,885	32,110	Aug-17	39 years
Rochester, NY	5,341	297	12,484	(9,263)	296	3,222	3,518	1,778	1,740	Aug-17	37 years
Victor, NY	27,174	1,060	33,246	1,910	1,059	35,157	36,216	3,842	32,374	Aug-17	41 years
Victor, NY	12,800	557	13,570	17	556	13,588	14,144	1,167	12,977	Nov-17	41 years
Undeveloped Land											
Bellevue, WA	—	14,200	—	—	14,200	—	14,200	—	14,200	Jun-15	(3)
Kalamazoo, MI	—	100	—	—	100	—	100	—	100	Jun-15	(3)
Crystal Lake, IL	—	810	—	—	810	—	810	—	810	Jun-15	(3)
Millbrook, NY	—	1,050	—	—	1,050	—	1,050	—	1,050	Jun-15	(3)
Rochester, NY	—	544	—	—	544	—	544	—	544	Aug-17	(3)
Penfield, NY	—	534	—	—	534	—	534	—	534	Aug-17	(3)
Subtotal	$ 1,435,384	$ 237,151	$ 1,613,699	$ (75,879)	$ 234,706	$ 1,540,265	$1,774,971	$ 291,041	$ 1,483,930		
Held for Sale											
Leawood, KS	—			—	—	3,000	3,000	—	3,000	Oct-13	(3)
Spring Hill, KS	—			—	—	2,000	2,000	—	2,000	Oct-13	(3)
Total	$ 1,435,384	$ 237,151	$ 1,613,699	$ (75,879)	$ 234,706	$ 1,545,265	$1,779,971	$ 291,041	$ 1,488,930		

(1) Negative amount represents impairment of operating real estate.
(2) The aggregate cost for federal income tax purposes is approximately $2.2 billion.
(3) Depreciation is not recorded on land or assets held for sale.

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2020
(Dollars in Thousands)

The following table presents changes in the Company's operating real estate portfolio for the years ended December 31, 2020, 2019 and 2018 (dollars in thousands):

	Year Ended December 31,		
	2020	2019	2018
Balance at beginning of year	$ 1,931,032	$ 1,949,997	$ 1,966,352
Dispositions	—	(16,645)	(15,240)
Improvements	17,036	24,701	35,889
Impairment	(165,246)	(27,021)	(33,494)
Subtotal	1,782,822	1,931,032	1,953,507
Classified as held for sale[(1)]	(7,851)	—	(3,510)
Balance at end of year[(2)]	$ 1,774,971	$ 1,931,032	$ 1,949,997

(1) Amounts classified as held for sale during the year and remain as held for sale at the end of the year.
(2) The aggregate cost of the properties are approximately $427.2 million higher for federal income tax purposes as of December 31, 2019.

The following table presents changes in accumulated depreciation as of December 31, 2020, 2019 and 2018 (dollars in thousands):

	Year Ended December 31,		
	2020	2019	2018
Balance at beginning of year	$ 230,814	$ 171,083	$ 113,924
Depreciation expense	63,078	62,798	60,028
Property dispositions	—	(3,067)	(1,542)
Subtotal	293,892	230,814	172,410
Classified as held for sale	(2,851)	—	(1,327)
Balance at end of year	$ 291,041	$ 230,814	$ 171,083

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
SCHEDULE IV - MORTGAGE LOANS ON REAL ESTATE
December 31, 2020
(Dollars in Thousands)

Asset Type:	Location / Description	Count	Fixed Rate	Maturity Date[1]	Periodic Payment Terms[2]	Prior Liens[3]	Principal Amount	Carrying Value[4]	Principal Amount of Loans Subject to Delinquent Principal or Interest
Espresso Mezzanine Loan	Various / SNF / ALF	1	10.0 %	Jan-22	I/O	$ 681,526	$ 74,182	$ 55,864	$ —

(1) Reflects the initial maturity date of the investment and does not consider any options to extend beyond such date.
(2) Interest Only, or I/O; principal amount due in full at maturity.
(3) Represents only third-party liens.
(4) The federal income tax basis is approximately $74.2 million.

Reconciliation of Carrying Value of Real Estate Debt (dollars in thousands):

	Year Ended December 31,		
	2020	2019	2018
Balance at beginning of year	$ 55,468	$ 58,600	$ 74,650
Deductions:			
Reclassification[1]	271	(2,427)	(16,151)
Repayment of principal	—	(818)	—
Amortization of acquisition costs, fees, premiums and discounts	125	113	101
Balance at end of year	$ 55,864	$ 55,468	$ 58,600

(1) As a result of impairments and other non-cash reserves recorded by the joint venture, the Company's carrying value of its Espresso unconsolidated investment was reduced to zero as of December 31, 2018. The Company has recorded the excess equity in losses related to its unconsolidated venture as a reduction to the carrying value of its mezzanine loan, which was originated to a subsidiary of the Espresso joint venture.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Our management established and maintains disclosure controls and procedures that are designed to ensure that material information relating to us and our subsidiaries required to be disclosed in reports that are filed or submitted under the Securities Exchange Act of 1934, as amended, or Exchange Act, are 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, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

As of the end of the period covered by this report, management conducted an evaluation as required under Rules 13a-15(b) and 15d-15(b) under the Exchange Act, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act).

Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures to disclose material information otherwise required to be set forth in the Company's periodic reports.

Our internal control framework, which includes controls over financial reporting and disclosure, continues to operate effectively. Considering the COVID-19 pandemic, we have supplemented our framework by instituting certain entity level procedures and controls that ensure communication amongst our team that enhances our ability to prevent and detect material errors and omissions.

Internal Control over Financial Reporting

(a) Management's Annual Report on Internal Control over Financial Reporting.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rule 13a-15(f), internal control over financial reporting is a process designed by, or under the supervision of, the principal executive and principal financial officer and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and 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 generally accepted accounting principles, and that 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 financial statements.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we carried out an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2020 based on the "Internal Control-Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based upon this evaluation, management has concluded that our internal control over financial reporting was effective as of December 31, 2020.

(b) Changes in Internal Control over Financial Reporting.

There have not been any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives

will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance*

Item 11. Executive Compensation*

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Item 13. Certain Relationships and Related Transactions and Director Independence*

Item 14. Principal Accountant Fees and Services*

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* The information that is required by Items 10, 11, 12, 13 and 14 (other than the information included in this Annual Report on Form 10-K) is incorporated herein by reference from the definitive proxy statement relating to our 2021 Annual Meeting of Stockholders, which is to be filed with the U.S. Securities and Exchange Commission pursuant to Regulation 14A under the Exchange Act, no later than 120 days after the end of our fiscal year ended December 31, 2020.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)1. Consolidated Financial Statements and (a)2. Financial Statement Schedules are included in Part II, Item 8. "Financial Statements and Supplementary Data'' of this Annual Report on Form 10-K:

Reports of Independent Registered Public Accounting Firms

Consolidated Balance Sheets as of December 31, 2020 and 2019
Consolidated Statements of Operations for the years ended December 31, 2020, 2019 and 2018
Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2020, 2019 and 2018
Consolidated Statements of Equity for the years ended December 31, 2020, 2019 and 2018
Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018
Notes to the Consolidated Financial Statements
Schedule III - Real Estate and Accumulated Depreciation as of December 31, 2020
Schedule IV - Mortgage Loans on Real Estate as of December 31, 2020

(a)3. Exhibit Index:

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
3.1	Articles of Amendment and Restatement of NorthStar Healthcare Income, Inc. (filed as Exhibit 3.1 to Pre-Effective Amendment No. 7 to the Company's Registration Statement on Form S-11 (File No. 333-170802) and incorporated herein by reference)
3.2	Certificate of Correction of the Articles of Amendment and Restatement of NorthStar Healthcare Income, Inc. (filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 and incorporated herein by reference)
3.3	Fourth Amended and Restated Bylaws of NorthStar Healthcare Income, Inc. (filed as Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 and incorporated herein by reference)
4.1	Amended and Restated Distribution Reinvestment Plan (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 8, 2016 and incorporated herein by reference)
4.2*	Description of Registrant's Securities
10.1	Advisory Agreement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 1, 2014 and incorporated herein by reference)
10.2	Amendment No. 1 to Advisory Agreement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 26, 2017 and incorporated herein by reference)
10.3	Amendment No. 2 to Advisory Agreement dated as of June 22, 2020 by and among NorthStar Healthcare Income, Inc., NorthStar Healthcare Income Operating Partnership, LP, CNI NSHC Advisors, LLC and Colony Capital, Inc. (f/k/a Colony NorthStar, Inc.) (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K on June 23, 2020 and incorporated herein by reference)
10.4	Amended and Restated Limited Partnership Agreement of NorthStar Healthcare Income Operating Partnership, LP (filed as Exhibit 10.3 to Pre-Effective Amendment No. 7 to the Company's Registration Statement on Form S-11 (File No. 333-170802) and incorporated herein by reference)
10.5	First Amendment to Amended and Restated Limited Partnership Agreement of NorthStar Healthcare Income Operating Partnership, LP (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 and incorporated herein by reference)
10.6	Second Amendment to Amended and Restated Limited Partnership Agreement of NorthStar Healthcare Income Operating Partnership, LP (filed as Exhibit 10.4 to Post-Effective Amendment No. 9 to the Company's Registration Statement on Form S-11 (File No. 333-170802) and incorporated herein by reference)
10.7	NorthStar Healthcare Income, Inc. Amended and Restated Long Term Incentive Plan (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K on February 4, 2013 and incorporated herein by reference)
10.8	NorthStar Healthcare Income, Inc. Third Amended and Restated Independent Directors Compensation Plan (filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 2019 and incorporated herein by reference)
10.9	Form of Restricted Stock Award Certificate (filed as Exhibit 10.6 to Pre-Effective Amendment No. 4 to the Company's Registration Statement on Form S-11 (File No. 333-170802) and incorporated herein by reference)

Exhibit Number	Description of Exhibit
10.10	Form of Indemnification Agreement (filed as Exhibit 10.8 to Pre-Effective Amendment No. 6 to the Company's Registration Statement on Form S-11 (File No. 333-170802) and incorporated herein by reference)
10.11	Amended and Restated Partnership Agreement of Healthcare GA Holdings, General Partnership, dated as of January 13, 2015 (filed as Exhibit 10.58 to Post-Effective Amendment No. 11 to the Company's Registration Statement on Form S-11 (File No. 333-170802) and incorporated herein by reference)
10.12	Limited Liability Company Agreement of Watermark Fountains Owner, LLC (filed as Exhibit 10.6 to the Company's Current Report on Form 8-K filed on April 15, 2015 and incorporated herein by reference)
10.13	Limited Liability Company Agreement of Trilogy REIT Holdings, LLC, dated as of September 11, 2015, by and between GACH3 Trilogy JV, LLC and Trilogy Holdings NT-HCI, LLC (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 15, 2015 and incorporated herein by reference)
21.1*	Significant Subsidiaries of the Registrant
23.1*	Consent of Grant Thornton LLP
23.2*	Consent of Ernst & Young LLP
23.3*	Consent of Ernst & Young LLP
23.4*	Consent of Ernst & Young LLP
24.1*	Power of Attorney (included on signature page hereto)
31.1*	Certification by the Chief Executive Officer pursuant to 17 CFR 240.13a-14(a)/15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification by the Chief Financial Officer pursuant to 17 CFR 240.13a-14(a)/15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification by the Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification by the Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

Item 16. Form 10-K Summary

None.

SIGNATURES

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

NorthStar Healthcare Income, Inc.

Date: March 23, 2021

By: /s/ RONALD J. JEANNEAULT
Name: Ronald J. Jeanneault
Title: *Chief Executive Officer, President and Vice Chairman*

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Richard S. Welch and Frank V. Saracino and each of them severally, his true and lawful attorney-in-fact with power of substitution and re-substitution to sign in his name, place and stead, in any and all capacities, to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Exchange Act of 1934 and any rules, regulations and requirements of the U.S. Securities and Exchange Commission in connection with this Annual Report on Form 10-K and any and all amendments hereto, as fully for all intents and purposes as he might or could do in person, and hereby ratifies and confirms all said attorneys-in-fact and agents, each acting alone, and his substitute or substitutes, may lawfully do or cause to be done by virtue hereof. Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ RONALD J. JEANNEAULT Ronald J. Jeanneault	Chief Executive Officer, President and Vice Chairman (Principal Executive Officer)	March 23, 2021
/s/ FRANK V. SARACINO Frank V. Saracino	Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)	March 23, 2021
/s/ RICHARD S. WELCH Richard S. Welch	Chairman	March 23, 2021
/s/ GREGORY A. SAMAY Gregory A. Samay	Director	March 23, 2021
/s/ JACK F. SMITH, JR. Jack F. Smith, Jr.	Director	March 23, 2021
/s/ T. ANDREW SMITH T. Andrew Smith	Director	March 23, 2021

Exhibit 4.2

Description of Registrant's Securities

References herein to "company," "we," "us," or "our" refer to NorthStar Healthcare Income, Inc., a Maryland corporation, and its subsidiaries unless the context specifically requires otherwise.

The following is a summary of the material terms of shares of our common stock as set forth in our charter and is qualified in its entirety by reference to our charter. Under our charter, we have authority to issue a total of 450,000,000 shares of capital stock. Of the total number of shares of capital stock authorized, 400,000,000 shares are classified as common stock, par value $0.01 per share, and 50,000,000 shares are classified as preferred stock, par value $0.01 per share. Our board of directors, with the approval of a majority of the entire board of directors and without any action by our stockholders, may amend our charter from time-to-time to increase or decrease the aggregate number of shares of capital stock or the number of shares of capital stock of any class or series that we have authority to issue. Our board of directors may classify or reclassify any unissued shares of our common stock from time-to-time into one or more classes or series; provided, however, that the voting rights per share (other than any publicly held share) sold in a private offering shall not exceed the voting rights which bear the same relationship to the voting rights of publicly held shares as the consideration paid to us for each privately offered share bears to the book value of each outstanding publicly held share.

Common Stock

Subject to the restrictions on transfer and ownership of our stock and except as otherwise provided in our charter, the holders of shares of our common stock are entitled to one vote per share on all matters voted on by stockholders, including election of our directors. Our charter does not provide for cumulative voting in the election of directors. Therefore, under the mandatory provisions of the Maryland General Corporation Law (the "MGCL"), the holders of a majority of the outstanding shares of our common stock can elect our entire board of directors to hold office until the next annual meeting of stockholders and until successors are elected and qualify. Subject to any preferential rights of any outstanding series of preferred stock, the holders of shares of our common stock are entitled to such distributions as may be authorized from time-to-time by our board of directors out of legally available funds and declared by us and, upon liquidation, are entitled to receive all assets available for distribution to stockholders. All shares of our common stock issued in our offering will be fully paid and nonassessable shares of common stock. Holders of shares of our common stock will not have preemptive rights, which means that stockholders will not have an automatic option to purchase any new shares of common stock that we issue, or have appraisal rights, unless our board of directors determines that appraisal rights apply, with respect to all or any classes or series of our common stock, to one or more transactions occurring after the date of such determination in connection with which stockholders would otherwise be entitled to exercise such rights. Stockholders are not liable for our acts or obligations due to their statuses as stockholders.

We do not issue certificates for shares of our common stock. Shares of our common stock are held in "uncertificated" form which eliminates the physical handling and safekeeping responsibilities inherent in owning transferable share certificates and eliminates the need to return a duly executed share certificate to effect a transfer. DST Systems, Inc. acts as our registrar and as the transfer agent for shares of our common stock. Transfers can be effected simply by mailing a transfer and assignment form, which we will provide to stockholders at no charge, to:

Preferred Stock

Our charter authorizes our board of directors to classify and reclassify any unissued shares of our common stock and preferred stock into other classes or series of stock. Prior to issuance of shares of each class or series, our board of directors is required by the MGCL and by our charter to set, subject to our charter restrictions on transfer of our stock, the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption for each class or series. Thus, our board of directors could authorize the issuance of shares of common stock or preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. Our board of directors has no present plans to issue preferred stock, but may do so at any time in the future without stockholder approval. The issuance of preferred stock must be approved by a majority of our independent directors not otherwise interested in the transaction, who will have access, at our expense, to our legal counsel or to independent legal counsel.

Meetings, Special Voting Requirements and Access to Records

An annual meeting of our stockholders will be held each year on a specific date which will be at least 30 days after delivery of our annual report. Special meetings of our stockholders may be called only upon the request of a majority of our board of directors, a majority of our independent directors, the Chairman of our Board, our Chief Executive Officer, or our President and must be called by our Secretary to act on any matter that may properly be considered at a meeting of stockholders upon the written request of stockholders entitled to cast at least 10% of all the votes entitled to be cast on such matter at the meeting. Upon receipt of a written request of eligible stockholders, either in person or by mail, stating the purpose of the meeting, we will provide all stockholders, within ten days after receipt of such request, with written notice either in person or by mail, of such meeting and the purpose thereof. The meeting called upon stockholder request must be held on a date not less than 15 nor more than 60 days after the distribution of such notice, at a time and place specified in the request, or if none is specified, at a time and place convenient to stockholders. The presence either in person or by proxy of stockholders entitled to cast 50% of the votes entitled to be cast at a meeting on any matter will constitute a quorum. Generally, the affirmative vote of a majority of all votes cast is necessary to take stockholder action, except that a majority of the votes represented in person or by proxy at a meeting at which a quorum is present is required to elect a director and except as set forth in the next two paragraphs.

Under the mandatory provisions of the MGCL, stockholders are not entitled to vote to cause the company to dissolve or terminate, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless such matters are first declared advisable by the board of directors. Even if declared advisable by the board of directors, a Maryland corporation generally cannot perform any such action, unless the action is approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide in its charter for the approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on

the matter. Thus, our board of directors is required to obtain, as a matter of law, the approval of our stockholders on: (i) the amendment of our charter; (ii) our dissolution; or (iii) our merger or consolidation, a statutory share exchange, our conversion into another entity or the sale or other disposition of all or substantially all of our assets. Under our charter, these matters require the affirmative vote of stockholders entitled to cast at least a majority of the votes entitled to be cast on the matter. With respect to stock owned by our advisor, our directors or any of their affiliates, neither our advisor nor such directors, nor any of their affiliates may vote or consent on matters submitted to stockholders regarding the removal of the advisor, such directors or any of their affiliates or any transaction between us and any of them. In terms of determining the requisite percentage in interest of shares necessary to approve a matter on which our advisor, directors or their affiliates may not vote or consent, any shares owned by any of them shall not be included.

Our advisory agreement, including the selection of our advisor, is approved annually by our board of directors including a majority of our independent directors. While the stockholders do not have the ability to vote to replace our advisor or to select a new advisor, stockholders do have the ability, by the affirmative vote of stockholders entitled to cast at least a majority of the votes entitled to be cast generally in the election of directors, to remove a director from our board of directors. Any stockholder will be permitted access to all of our records to which they are entitled under applicable law at all reasonable times and may inspect and copy any of them for a reasonable copying charge.

Under the MGCL, our stockholders are entitled to inspect and copy, upon written request during usual business hours, the following corporate documents: (i) our charter; (ii) our bylaws; (iii) minutes of the proceedings of our stockholders; (iv) annual statements of affairs; and (v) any voting trust agreements. A stockholder may also request access to any other corporate records, which may be evaluated solely in the discretion of our board of directors. Inspection of our records by the office or agency administering the securities laws of a jurisdiction will be provided upon reasonable notice and during normal business hours. An alphabetical list of the names, addresses and telephone numbers of our stockholders, along with the number of shares of our common stock held by each of them, is maintained as part of our books and records and is available for inspection by any stockholder or the stockholder's designated agent at our office upon request of the stockholders. The stockholder list will be updated at least quarterly to reflect changes in the information contained therein. A copy of the list will be mailed to any stockholder who requests the list within ten days of our receipt of the request. A stockholder may request a copy of the stockholder list in connection with matters relating to, without limitation, voting rights and the exercise of stockholder rights under federal proxy laws. A stockholder requesting a list will be required to pay reasonable costs of postage and duplication. In addition to the foregoing, stockholders have rights under Rule 14a-7 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which provides that, upon the request of investors and the payment of the expenses of the distribution, we are required to distribute specific materials to stockholders in the context of the solicitation of proxies for voting on matters presented to stockholders or, at our option, provide requesting stockholders with a copy of the list of stockholders so that the requesting stockholders may make the distribution of proxies themselves. If a proper request for the stockholder list is not honored, then the requesting stockholder will be entitled to recover certain costs incurred in compelling the production of the list as well as actual damages suffered by reason of the refusal or failure to produce the list. However, a stockholder will not have the right to, and we may require a requesting stockholder to represent that it will not, secure the stockholder list or other information for the purpose of selling or using the list for a commercial purpose not related to the requesting stockholder's interest in our affairs. We may also require such stockholder sign a confidentiality agreement in connection with the request.

Exclusive Forum

Our bylaws provide that the Circuit Court for Baltimore City, Maryland is the exclusive forum for derivative lawsuits brought on our behalf, actions for breach of fiduciary duty, actions pursuant to the MGCL and actions asserting claims governed by the internal affairs doctrine, unless we consent to the selection of an alternative forum.

Restriction on Transfer and Ownership of Shares of Capital Stock

For us to qualify as a real estate income trust ("REIT"), no more than 50% in value of the outstanding shares of our stock may be owned, directly or indirectly through the application of certain attribution rules under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), by any five or fewer individuals, as defined in the Internal Revenue Code to include specified entities, during the last half of any taxable year other than our first taxable year. In addition, the outstanding shares of our stock must be owned by 100 or more persons independent of us and each other during at least 335 days of a 12-month taxable year or during a proportionate part of a shorter taxable year, excluding our first taxable year for which we elect to be taxed as a REIT. In addition, we must meet requirements regarding the nature of our gross income to qualify as a REIT. One of these requirements is that at least 75% of our gross income for each calendar year must consist of rents from real property and income from other real property investments. The rents received by our operating partnership from any tenant will not qualify as rents from real property, which could result in our loss of REIT status, if we own, actually or constructively within the meaning of certain provisions of the Internal Revenue Code, 10% or more of the ownership interests in that tenant. To assist us in preserving our status as a REIT, among other purposes, our charter contains limitations on the transfer and ownership of shares of our stock which prohibit: (i) any person or entity from owning or acquiring, directly or indirectly, more than 9.8% in value of the aggregate of our then outstanding shares of capital stock or more than 9.8% in value or number of shares, whichever is more restrictive, of the aggregate of our then outstanding shares of common stock; (ii) any person or entity from owning or acquiring, directly or indirectly shares of our stock to the extent such ownership would result in our being "closely held" within the meaning of Section 856(h) of the Internal Revenue Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise failing to qualify as a REIT; and (iii) any transfer of or other event or transaction with respect to shares of capital stock that would result in the beneficial ownership of our outstanding shares of capital stock by fewer than 100 persons (determined under the principles of Section 856(a)(5) of the Internal Revenue Code).

Our charter provides that the shares of our capital stock that, if transferred, would: (i) result in a violation of the 9.8% ownership limits; (ii) result in us being "closely held" within the meaning of Section 856(h) of the Internal Revenue Code; (iii) cause us to own 9.9% or more of the ownership interests in a tenant of our real property or the real property of our operating partnership or any direct or indirect subsidiary of our operating partnership; or (iv) otherwise cause us to fail to qualify as a REIT, will be transferred automatically to a trust effective as of the close of business on the business day before the purported transfer of such shares of our capital stock. We will designate a trustee of the trust that will not be affiliated with us or the purported transferee or record holder. We will also name a charitable organization as beneficiary of the trust. The trustee will receive all dividends and other distributions on the shares of our capital stock held by the trust and will hold such dividends or distributions in trust for the benefit of the beneficiary. The trustee also will be entitled to exercise all voting rights of the shares of capital stock held by the trust. Subject to Maryland law, effective as of the date that shares have been transferred to the trustee, the trustee will have the authority (at the trustee's sole discretion) to rescind as void any vote cast by the intended transferee prior to our discovery that shares have been transferred to

the trustee and to recast such vote in accordance with the desires of the trustee acting for the benefit of the charitable beneficiary; provided, however, that if we have already taken irreversible corporate action, then the trustee will not have the authority to rescind and recast such vote. The intended transferee will acquire no rights in such shares of capital stock, unless, in the case of a transfer that would cause a violation of the 9.8% ownership limits, the transfer is exempted (prospectively or retroactively) by our board of directors from the ownership limits based upon receipt of information (including certain representations and undertakings from the intended transferee) that such transfer would not violate the provisions of the Internal Revenue Code for our qualification as a REIT. In addition, our charter provides that any transfer of shares of our capital stock that would result in shares of our capital stock being beneficially owned by fewer than 100 persons will be null and void and the intended transferee will acquire no rights in such shares of our capital stock.

The trustee will transfer the shares of our capital stock to a person whose ownership of shares of our capital stock will not violate the ownership limits. The transfer will be made no later than 20 days after the later of our receipt of notice that shares of our capital stock have been transferred to the trust or the date we determine that a purported transfer of shares of stock has occurred. Upon any such transfer, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the purported transferee or holder. The purported transferee or holder will receive a per share price equal to the lesser of (i) the price per share in the transaction that resulted in the transfer of such shares to the trust (or, in the case of a gift or devise, the market price per share on the date of the event causing the shares to be held in trust); and (ii) the price received by the trustee net of any selling commission and expenses. The trustee may reduce the amount payable to the purported transferee or holder by the amount of dividends and other distributions which have been paid to the purported transferee or holder and are owed by the purported transferee or holder to the trustee. The charitable beneficiary will receive any excess amounts. If, prior to our discovery that shares have been transferred to the trustee, such shares are sold by a purported transferee or holder, then such shares shall be deemed to have been sold on behalf of the trust and, to the extent that the purported transferee or holder received an amount for such shares that exceeds the amount that such purported transferee or holder was entitled to receive, such excess must be paid and aggregated to the trustee upon demand.

In addition, until the trustee has sold the shares held in the trust, we or our designee have the right to purchase any shares held by the trust at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in the transfer of such shares to the trust (or, in the case of a gift or devise, the market price per share at the time of the gift or devise) and (ii) the market price on the date we, or our designee, exercise such right. Upon a sale to us, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the purported transferee or holder. We may reduce the amount payable to the purported transferee or holder by the amount of dividends and other distributions which have been paid to the purported transferee or holder and are owed by the purported transferee or holder to the trustee. We may pay the amount of such reduction to the trustee for the benefit of the charitable beneficiary.

Any person who (i) acquires or attempts to acquire shares of our capital stock in violation of the foregoing restrictions or (ii) owns shares of our capital stock that were transferred to any such trust, is required to give immediate written notice to us of such event, and any person who purports to transfer or receive shares of our capital stock subject to such limitations is required to give us 15 days written notice prior to such purported transaction. In both cases, such persons must provide to us such other information as we may request to determine the effect, if any, of such event on our status as a REIT. The foregoing restrictions will continue to apply until our board of directors determines it is no longer in our best interest

to attempt to, or to continue to, qualify as a REIT or that compliance with the restrictions is no longer required for us to qualify as a REIT.

The ownership limits do not apply to a person or persons that our board of directors exempts (prospectively or retroactively) from the ownership limit upon appropriate assurances (including certain representations and undertakings from the intended transferee) that our qualification as a REIT is not jeopardized. Any person who owns more than 5% (or such lower percentage applicable under Treasury Regulations) of the outstanding shares of our capital stock during any taxable year is required to deliver a statement or affidavit setting forth the number of shares of our capital stock beneficially owned.

The exemptions for secondary trading available under California Corporations Code §25104(h) will be withheld, but there may be other exemptions to cover private sales by the bona fide owner for his own account without advertising and without being effected by or through a broker-dealer in a public offering.

Distributions

We are required to make distributions sufficient to satisfy the requirements for qualification as a REIT for federal income tax purposes. Generally, income distributed will not be taxable to us under the Internal Revenue Code if we distribute at least 90% of our taxable income each year (computed without regard to the distributions paid deduction and our net capital gain). Distributions will be authorized at the discretion of our board of directors and declared by us, in accordance with our income, cash flow and general financial condition. Our board of directors' discretion will be directed, in substantial part, by its obligation to cause us to comply with the REIT requirements. To date, we have generated and we expect to continue to generate net operating losses for tax purposes. Accordingly, we have not been and do not expect in the future to be required to make distributions to our stockholders to qualify as a REIT. Because we may receive income from interest or rents at various times during our fiscal year and because we may need cash flow from operations during a particular period to repurchase shares of our common stock or fund performance-based fees or expenses, our ability to make distributions may be negatively impacted and, distributions may not reflect our income earned in that particular distribution period and may be made in advance of actual receipt of funds in an attempt to make distributions relatively uniform. We are authorized to borrow money, issue new securities or sell assets to make distributions. There are no restrictions on the ability of our operating partnership to transfer funds to us.

We are not prohibited from distributing our own securities in lieu of making cash distributions to stockholders even though our securities are not readily marketable. Our board of directors does not intend to fund our distributions with our securities. However, our board may have to consider making distributions of our common stock if we do not have enough cash to satisfy the distribution requirements relating to our qualification as a REIT and we obtain a private letter ruling ("PLR") from the Internal Revenue Service treating the stock distributions as dividends for tax purposes. In such a case, we expect that we would offer our stockholders the opportunity to elect to receive their entire distribution in cash or shares of our common stock, subject to a cash limitation of not less than a percentage specified in the PLR of the aggregate distribution being made. If our stockholders were to elect to receive cash distributions in excess of the cash limitation, stockholders electing to receive cash would receive a prorated portion of the available cash and would receive the balance of their distributions in stock. The receipt of shares of our common stock in lieu of cash distributions may cause stockholders to incur transaction expenses in liquidating the shares. In addition, they may receive less for their shares in such liquidation than the amount we value the shares for purposes of the stock dividend. We do not have any current intention to

list the shares of our common stock on a national securities exchange, nor is it expected that a public market for the shares of common stock will develop.

Our organizational documents permit us to pay distributions from any source, including from borrowings, sale of assets and from offering proceeds or we may make distributions in the form of taxable stock dividends. We have not established a cap on the use of proceeds to fund distributions. We have paid, and may pay in the future, distributions from sources other than our cash flow from operations, and therefore, we will have less cash available for investments and stockholders' overall return may be reduced.

The distributions we have paid to date have generally been paid to stockholders on a monthly basis based on daily record dates on the first business day of the month following the month for which the distribution was accrued. From the date of our first investment on April 5, 2013 through December 31, 2017, we paid an annualized distribution amount of $0.675 per share of our common stock. Our board of directors approved a daily cash distribution of $0.000924658 per share of common stock, equivalent to an annualized distribution amount of $0.3375 per share, for the year ended December 31, 2018 and month ended January 31, 2019. Effective February 1, 2019, our board of directors determined to suspend distributions in order to preserve capital and liquidity.

Our Valuation Process

We establish an estimated value per share of our common stock annually based on an independent appraisal of our assets and liabilities in compliance with FINRA rules and provide the estimated value per share to stockholders in our annual report. The estimated value per share of our common stock is based upon the fair value of our assets less the fair value of our liabilities under market conditions existing at the time of the valuation. We obtain independent third party appraisals for our properties and value our other assets in a manner we deem most suitable under the circumstances, which includes an independent appraisal or valuation. A committee comprised of independent directors is responsible for the oversight of the valuation process, including approval of the engagement of any third parties to assist in the valuation of assets, liabilities and unconsolidated investments. We anticipate that any property appraiser we engage will be a member of the Appraisal Institute with the MAI designation or such other professional valuation designation appropriate for the type and geographic locations of the assets being valued and will provide a written opinion, which will include a description of the reviews undertaken and the basis for such opinion. The valuations are estimates and consequently should not necessarily be viewed as an accurate reflection of the fair value of our investments nor will they necessarily represent the amount of net proceeds that would result from an immediate sale of our assets.

Distribution Reinvestment Plan

We have adopted a distribution reinvestment plan ("DRP") through which common stockholders may elect to reinvest an amount equal to the distributions declared on their shares in additional shares of our common stock in lieu of receiving cash distributions. In April 2016 and effective through January 31, 2019, our board of directors determined that distributions may be reinvested in shares of our common stock at a price equal to the most recent estimated value per share of our shares of common stock. Effective February 1, 2019, we suspended payment of monthly distributions to stockholders.

Stockholders may elect to participate in our DRP by providing written notice to the plan administrator, indicating the portion of distributions to be paid in shares of our common stock. Participation in the plan will begin with the next distribution made after acceptance of a stockholder's

written notice. Stockholders may also withdraw at any time, without penalty, by delivering written notice to us. We may amend, suspend or terminate our DRP for any reason, except we may not amend our DRP to eliminate a participant's ability to withdraw from our DRP, at any time upon ten days prior written notice to participants. Participation in the plan may also be terminated with respect to any person to the extent that a reinvestment of distributions in shares of our common stock would cause the ownership limits contained in our charter to be violated. Following any termination of our DRP, all subsequent distributions to stockholders would be made in cash.

Participants may acquire shares of our common stock pursuant to our DRP until the earliest date upon which: (i) all the common stock registered in this or future offerings to be offered under our DRP is issued; (ii) our offering and any future offering pursuant to our DRP terminate, and we elect to deregister with the Securities and Exchange Commission (the "SEC") the unsold amount of our common stock registered to be offered under our DRP; or (iii) there is more than a de minimis amount of trading in shares of our common stock, at which time any registered shares of our common stock then available under our DRP will be sold at a price equal to the fair market value of the shares of our common stock, as determined by our board of directors by reference to the applicable sales price with respect to the most recent trades occurring on or prior to the relevant distribution date. In any case, the price per share will be equal to the then-prevailing market price, which will equal the price on the national securities exchange on which such shares of common stock are listed at the date of purchase.

Holders of common units in our operating partnership may also participate in our DRP and have cash otherwise distributable to them by our operating partnership invested in our common stock at the current price for which shares are being offered pursuant to our DRP.

Stockholders who elect to participate in our DRP, and who are subject to U.S. federal income taxation laws, will be treated for tax purposes as having received a dividend in an amount equal to the fair value on the relevant distribution date of the shares of our common stock purchased with reinvested distributions, even though such stockholders have elected not to receive the distributions used to purchase those shares of common stock in cash. The tax consequences of participating in our DRP will vary depending upon each participant's particular circumstances, and stockholders are urged to consult their own tax advisors regarding the specific tax consequences of participation in our DRP.

All material information regarding the distributions to stockholders and the effect of reinvesting the distributions, including tax consequences, will be provided to the stockholders at least annually. Each stockholder participating in our DRP will have an opportunity to withdraw from the plan at least annually after receiving this information.

Share Repurchase Program

We adopted our share repurchase program effective August 7, 2012, which enabled stockholders to sell their shares to us in limited circumstances. In April 2020, our board of directors determined to suspend all repurchases under our share repurchase program effective April 30, 2020 in order to preserve capital and liquidity during the COVID-19 pandemic. There is no assurance that our share repurchase program will be reinstated on or before any certain date, if at all.

When our share repurchase program is in effect, we only repurchase shares in connection with a stockholder's death or qualifying disability, which is a disability as such term is defined in Section 72(m)(7) of the Internal Revenue Code that arises after the purchase of the shares requested to be repurchased. Repurchase requests must be made within two years of the death or qualifying disability of a

stockholder and will be repurchased at a price equal to the lesser of the price paid for the shares, as adjusted for any stock dividends, combinations, splits, recapitalizations or any similar transaction with respect to the shares of common stock, or the most recently published estimated net asset value per share of our common stock, as adjusted for any stock dividends, combinations, splits, recapitalizations or any similar transaction with respect to the shares of common stock occurring subsequent to the date of our most recently published estimated net asset value per share. However, at any time that we are engaged in a primary offering of our shares, the repurchase price for our shares will not exceed the primary offering price.

When our share repurchase program is in effect, repurchases of shares of our common stock will be made quarterly upon written request to us at least 15 days prior to the end of the applicable quarter. Repurchase requests will be honored approximately 30 days following the end of the applicable quarter, which we refer to as the repurchase date. Stockholders may withdraw their repurchase request at any time up to three business days prior to the repurchase date.

We cannot guarantee that the funds set aside for our share repurchase program, when in effect, will be sufficient to accommodate all requests made in any quarter. In the event that we do not have sufficient cash available to repurchase all of the shares of our common stock for which repurchase requests have been submitted in any quarter, we plan to repurchase all shares of our common stock on a pro rata basis on the repurchase date when our share repurchase program is in effect. In addition, if we repurchase less than all of the shares subject to a repurchase request in any quarter, with respect to any unredeemed shares, we will seek to honor the remainder of the request in a future quarter, if possible, when such repurchases can be made pursuant to the limitations of the share repurchase program when in effect and when sufficient funds are available, unless the stockholder withdraws the request for repurchase. Such pending requests will be honored on a pro rata basis.

We are not obligated to repurchase shares of our common stock under our share repurchase program when our share repurchase program is in effect. For repurchases made in respect of repurchase requests in calendar year 2018 and thereafter, when our share repurchase program is in effect, we presently intend to limit the number of shares to be repurchased to the lesser of: (i) 5% of the weighted average number of shares of our common stock outstanding during the prior calendar year, less the number of shares repurchased to date during the current calendar year and (ii) repurchases that can be funded from the net proceeds received to date in the calendar quarter such repurchase requests were made from the sale of shares under our DRP. There is no fee in connection with a repurchase of shares of our common stock.

To the extent that the aggregate proceeds received from the sale of shares pursuant to our DRP are not sufficient to fund repurchase requests pursuant to the limitations outlined above, our board of directors may, in its sole discretion, choose to use other sources of funds to repurchase shares of our common stock. Such sources of funds could include cash on hand, cash available from borrowings and cash from liquidations of investments as of the end of the applicable month, to the extent that such funds are not otherwise dedicated to a particular use, such as working capital, cash distributions to stockholders or purchases of real estate assets.

Our share repurchase program, when in effect, only provides stockholders a limited ability to have shares repurchased for cash until a secondary market develops for our shares or until our shares are listed on a national securities exchange or included for quotation in a national securities market, at which time our share repurchase program would terminate. No such market presently exists nor are the shares currently listed on an exchange, and we cannot assure stockholders that any market for our shares will

ever develop or that we will list the shares on a national securities exchange. Shares repurchased under our share repurchase program will become unissued shares and will not be resold unless such sales are made pursuant to transactions that are registered or exempt from registration under applicable securities laws.

In addition, our board of directors may, in its sole discretion, amend, suspend, or terminate our share repurchase program at any time, provided that any amendment that adversely affects the rights or obligations of a participant (as determined in the sole discretion of our board of directors) will only take effect upon ten days' prior written notice to stockholders, except that changes in the number of shares that can be repurchased during any calendar year will take effect only upon ten business days' prior written notice. Therefore, a stockholder may not have the opportunity to make a repurchase request prior to any potential termination of our share repurchase program.

Liquidity Events

Subject to then-existing market conditions, we expect to consider alternatives for providing liquidity to our stockholders beginning five years from the completion of our offering stage; however, there is no definitive date by which we must do so. We will consider our offering stage complete when we are no longer publicly offering equity securities in a continuous offering. For this purpose, we do not consider a "public offering of equity securities" to include offerings on behalf of selling stockholders or offerings related to a DRP, employee benefit plan or the redemption of interests in our operating partnership. We consider our offering stage complete as of January 19, 2016. While we expect to seek a liquidity transaction in this time frame, there can be no assurance that a suitable transaction will be available or that market conditions for a transaction will be favorable during that time frame. Our board of directors has the discretion to consider a liquidity transaction at any time. A liquidity transaction could consist of a sale or partial sale or roll-off to scheduled maturity of our assets, a sale or merger of our company, a listing of our shares on a national securities exchange or a similar transaction. Some types of liquidity transactions require, after approval by our board of directors, approval of our stockholders. We do not have a stated term, as we believe setting a finite date for a possible, but uncertain future liquidity transaction may result in actions that are not necessarily in the best interest or within the expectations of our stockholders.

Business Combinations

Under the MGCL, business combinations between a Maryland corporation and an interested stockholder or the interested stockholder's affiliate are prohibited for five years after the most recent date on which the stockholder becomes an interested stockholder. For this purpose, the term "business combinations" includes mergers, consolidations, share exchanges or, in circumstances specified in the MGCL, asset transfers and issuances or reclassifications of equity securities. An "interested stockholder" is defined for this purpose as: (i) any person who beneficially owns, directly or indirectly, 10% or more of the voting power of the corporation's outstanding voting stock; or (ii) an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding stock of the corporation. A person is not an interested stockholder under the MGCL if our board of directors approved in advance the transaction by which the person otherwise would become an interested stockholder. However, in approving the transaction, our board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by our board of directors.

After the five-year prohibition, any business combination between the corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least: (i) 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation and (ii) two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares of stock held by the interested stockholder or its affiliate with whom the business combination is to be effected, or held by an affiliate or associate of the interested stockholder, voting together as a single voting group.

These super majority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under the MGCL, for their shares of common stock in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares of common stock.

None of these provisions of the MGCL will apply, however, to business combinations that are approved or exempted by our board of directors of the corporation prior to the time that the interested stockholder becomes an interested stockholder. Pursuant to the business combination statute, our board of directors has exempted any business combination involving us and any person. Consequently, the five-year prohibition and the super majority vote requirements will not apply to business combinations between us and any person. As a result, any person may be able to enter into business combinations with us that may not be in the best interest of our stockholders, without compliance with the super majority vote requirements and other provisions of the statute.

Our board of directors has adopted a resolution opting out of these provisions. Should our board of directors opt into the business combination statute in the future, it may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

Control Share Acquisitions

The MGCL provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. Shares of common stock owned by the acquirer, by officers or by employees who are directors of the corporation are not entitled to vote on the matter. "Control shares" are voting shares of stock which, if aggregated with all other shares of stock previously acquired by the acquirer or with respect to which the acquirer has the right to vote or to direct the voting of, other than solely by virtue of a revocable proxy, would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting powers:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

Control shares do not include shares of stock the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval or shares acquired directly from the corporation. Except as otherwise specified in the statute, a "control share acquisition" means the acquisition of issued and outstanding control shares. Once a person who has made or proposes to make a control share acquisition has undertaken to pay expenses and has satisfied other required conditions, the person may compel our board of directors to call a special meeting of stockholders to be held within 50

days of demand to consider the voting rights of the shares of stock. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting. If voting rights are not approved for the control shares at the meeting or if the acquiring person does not deliver an "acquiring person statement" for the control shares as required by the statute, the corporation may redeem any or all of the control shares for their fair value, except for control shares for which voting rights have previously been approved. Fair value is to be determined for this purpose without regard to the absence of voting rights for the control shares, and is to be determined as of the date of the last control share acquisition or of any meeting of stockholders at which the voting rights for control shares are considered and not approved.

If voting rights for control shares are approved at a stockholders' meeting and the acquirer becomes entitled to vote a majority of the shares of stock entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares of stock as determined for purposes of these appraisal rights may not be less than the highest price per share paid in the control share acquisition. Some of the limitations and restrictions otherwise applicable to the exercise of dissenters' rights do not apply in the context of a control share acquisition.

The control share acquisition statute does not apply to shares of stock acquired in a merger or consolidation or on a stock exchange if the corporation is a party to the transaction or to acquisitions approved or exempted by the charter or bylaws of the corporation. As permitted by the MGCL, we have provided in our bylaws that the control share provisions of the MGCL will not apply to any acquisition by any person of shares of our stock, but our board of directors retains the discretion to opt into these provisions in the future.

Advance Notice of Director Nominations and New Business

Our bylaws provide that with respect to an annual meeting of the stockholders, nomination of individuals for election to our board of directors and the proposal of business to be considered by the stockholders may be made only: (i) pursuant to our notice of the meeting; (ii) by or at the direction of our board of directors; or (iii) by any stockholder who is a stockholder of record both at the time of giving the notice required by our bylaws and at the time of the meeting, who is entitled to vote at the meeting in the election of each individual so nominated or on such other business and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of individuals for election to our board of directors at a special meeting may be made only: (i) by or at the direction of our board of directors; or (ii) provided that the special meeting has been called in accordance with our bylaws for the purpose of electing directors, by a stockholder who is a stockholder of record both at the time of giving the notice required by our bylaws and at the time of the meeting, who is entitled to vote at the meeting in the election of each individual so nominated and who has complied with the advance notice provisions of the bylaws.

Subtitle 8

Subtitle 8 of Title 3 of the MGCL ("Subtitle 8") permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in its charter or bylaws, to any or all of five provisions:

- a classified board of directors;

- a two-thirds vote requirement for removing a director;
- a requirement that the number of directors be fixed only by vote of our directors;
- a requirement that vacancies on the board of directors be filled only by the remaining directors and for the remainder of the full term of the class of directors in which the vacancy occurred; and
- a majority requirement for the calling of a stockholder-requested special meeting of stockholders.

We have elected to provide that vacancies on our board of directors be filled only by the remaining directors and for the remainder of the full term of the directorship in which the vacancy occurred. Through provisions in our charter and bylaws unrelated to Subtitle 8, we vest in our board of directors the exclusive power to fix the number of directorships provided that the number is not fewer than three. We have not elected to be subject to the other provisions of Subtitle 8.

Tender Offers

Our charter provides that any tender offer made by a person, including any "mini-tender" offer, must comply with certain notice and disclosure requirements. A tender offer is any widespread solicitation for shares of our stock at firm prices for a limited time period.

In order for a person to conduct a tender offer to one of our stockholders, our charter requires that the person comply with Regulation 14D of the Exchange Act, and provide our company notice of such tender offer at least ten business days before initiating the tender offer. Regulation 14D requires any person initiating a tender offer to provide:

- specific disclosure to stockholders focusing on the terms of the offer and information about the bidder;
- the ability to allow stockholders to withdraw tendered shares while the offer remains open;
- the right to have tendered shares accepted on a pro rata basis throughout the term of the offer if the offer is for less than all of our shares; and
- that all stockholders of the subject class of shares be treated equally.

In addition to the foregoing, there are certain ramifications to any person who attempts to conduct a noncompliant tender offer. If any person initiates a tender offer without complying with the provisions set forth above, the noncomplying offeror will be responsible for all of our expenses in connection with that person's noncompliance.

Restrictions on Roll-up Transactions

Until our shares are listed on a national securities exchange, our charter requires that we follow the policy set forth below with respect to any "roll-up transaction." In connection with any proposed transaction considered a "roll-up transaction" involving us and the issuance of securities of an entity (a "roll-up entity") that would be created or would survive after the successful completion of the roll-up

transaction, an appraisal of all assets must be obtained from a competent independent appraiser. The assets must be appraised on a consistent basis, and the appraisal shall be based on the evaluation of all relevant information and shall indicate the value of the assets as of the date immediately prior to the announcement of the proposed roll-up transaction. The appraisal shall assume an orderly liquidation of the assets over a 12-month period. The terms of the engagement of the independent appraiser must clearly state that the engagement is for our benefit and our stockholders' benefit. A summary of the appraisal, indicating all material assumptions underlying the appraisal, shall be included in a report to our stockholders in connection with any proposed roll-up transaction. If the appraisal will be included in a prospectus used to offer the securities of a roll-up entity, the appraisal shall be filed with the SEC and the states as an exhibit to the registration statement for our offering.

A "roll-up transaction" is a transaction involving the acquisition, merger, conversion or consolidation, directly or indirectly, of us and the issuance of securities of a roll-up entity. This term does not include:

- a transaction involving securities that have been listed on a national securities exchange for at least 12 months; or
- a transaction involving our conversion into corporate, trust or association form if, as a consequence of the transaction, there will be no significant adverse change in any of the following: our stockholder voting rights; the term of our existence; compensation to our sponsor or advisor; or our investment objectives.

In connection with a proposed roll-up transaction, the person sponsoring the roll-up transaction must offer to our common stockholders who vote "no" on the proposal a choice of:

- accepting the securities of the roll-up entity offered in the proposed roll-up transaction; or
- one of the following:
- remaining as stockholders and preserving their interests on the same terms and conditions as existed previously; or
- receiving cash in an amount equal to the stockholders' pro rata share of the appraised value of our net assets.

We are prohibited from participating in any proposed roll-up transaction:

- that would result in our common stockholders having voting rights in a roll-up entity that are less than those provided in our charter, including rights with respect to the election and removal of directors, annual and special meetings, amendment of our charter and our dissolution;
- that includes provisions that would operate to materially impede or frustrate the accumulation of shares by any purchaser of the securities of the roll-up entity, except to the minimum extent necessary to preserve the tax status of the roll-up entity, or which would limit the ability of an investor to exercise voting rights of its securities of the roll-up entity on the basis of the number of shares held by that investor;

- in which investors' right to access of records of the roll-up entity will be less than those described herein; or
- in which any of the costs of the roll-up transaction would be borne by us if the roll-up transaction is rejected by our common stockholders.

Exhibit 21.1

NORTHSTAR HEALTHCARE INCOME, INC.
List of Significant Subsidiaries

Entity Name	Formation Jurisdiction
NorthStar Healthcare Income Operating Partnership, LP	Delaware
TRS NT-HCI, LLC	Delaware
Watermark Fountains Owner, LLC	Delaware
Fountains Property NT-HCI, LLC	Delaware
Fountains Portfolio Owner, LLC	Delaware
Winterfell Healthcare Holdings NT-HCI, LLC	Delaware
Winterfell Healthcare Owner, LLC	Delaware
Healthcare GA Holdings NT-HCI, LLC	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 23, 2021, with respect to the consolidated financial statements and schedules included in the Annual Report of NorthStar Healthcare Income, Inc. on Form 10-K for the year ended December 31, 2020. We hereby consent to the incorporation by reference of said report in the Registration Statement of NorthStar Healthcare Income, Inc. on Form S-3D (File No. 333-208377), effective December 8, 2015, pertaining to the Distribution Reinvestment Plan.

/s/ GRANT THORNTON LLP

New York, New York

March 23, 2021

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-3D No. 333-208377) pertaining to the Distribution Reinvestment Plan of NorthStar Healthcare Income, Inc. of our report dated March 19, 2021, with respect to the consolidated financial statements of Healthcare GA Holdings, General Partnership for the year ended December 31, 2020, included in this Annual Report (Form 10-K).

/s/ Ernst & Young LLP

Los Angeles, California

March 23, 2021

Exhibit 23.3

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-3D No. 333-208377) pertaining to the Distribution Reinvestment Plan of NorthStar Healthcare Income, Inc. of our report dated March 20, 2020, with respect to the consolidated financial statements of Healthcare GA Holdings, General Partnership for the year ended December 31, 2019, included in this Annual Report (Form 10-K).

/s/ Ernst & Young LLP

Los Angeles, California

March 23, 2021

Exhibit 23.4

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-3D No. 333-208377) pertaining to the Distribution Reinvestment Plan of NorthStar Healthcare Income, Inc. of our report dated March 21, 2019, with respect to the consolidated financial statements of Healthcare GA Holdings, General Partnership, for the year ended December 31, 2018, included in this Annual Report (Form 10-K).

/s/ Ernst & Young LLP

Los Angeles, California

March 23, 2021

Exhibit 31.1

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER PURSUANT TO
17 CFR 240.13a-14(a)/15(d)-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ronald J. Jeanneault, certify that:

1. I have reviewed this Annual Report on Form 10-K of NorthStar Healthcare Income, Inc.;

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

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

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

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

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

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

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

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

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

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

By: /s/ RONALD J. JEANNEAULT

Name: Ronald J. Jeanneault
Title: *Chief Executive Officer, President and Vice Chairman*
Date: March 23, 2021

Exhibit 31.2

CERTIFICATION BY THE CHIEF FINANCIAL OFFICER PURSUANT TO
17 CFR 240.13a-14(a)/15(d)-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Frank V. Saracino, certify that:

1. I have reviewed this Annual Report on Form 10-K of NorthStar Healthcare Income, Inc.;

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

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

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

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

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

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

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

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

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

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

By: /s/ FRANK V. SARACINO
Name: Frank V. Saracino
Title: *Chief Financial Officer and Treasurer*
Date: March 23, 2021

Exhibit 32.1

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

In connection with the Annual Report on Form 10-K of NorthStar Healthcare Income, Inc. (the "Company") for the fiscal year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Ronald J. Jeanneault, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

By: /s/ RONALD J. JEANNEAULT
Ronald J. Jeanneault
Chief Executive Officer, President and Vice Chairman
Date: March 23, 2021

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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

In connection with the Annual Report on Form 10-K of NorthStar Healthcare Income, Inc. (the "Company") for the fiscal year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Frank V. Saracino, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

By: /s/ FRANK V. SARACINO
Frank V. Saracino
Chief Financial Officer and Treasurer
Date: March 23, 2021

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.