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, 2021

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, 193,600,468 shares outstanding as of March 17, 2022.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the definitive proxy statement related to the registrant's 2022 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

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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 (each, as defined below), 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 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 $3.91 for our common stock as of June 30, 2021. 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 Former Sponsor's divestiture of its healthcare platform to our New Sponsor 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 will no longer have access to our Sponsor Line, and our liquidity may be adversely affected.
- Our ability to operate our business successfully would be harmed if key personnel terminate their employment with our Sponsor.
- 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. On February 28, 2022, our former Sponsor, DigitalBridge Group, Inc. (NYSE: DBRG), or our Former Sponsor, completed the previously announced disposition of its wellness infrastructure platform, or the Sponsor Transaction. Following completion of the Sponsor Transaction, NRF Holdco, LLC, or NRF or our New Sponsor (and together with our Former Sponsor, our Sponsor as the context requires), owns CNI NSHC Advisors, LLC, or our Advisor, as well as its own diversified portfolio of medical office buildings, senior housing facilities, skilled nursing facilities and specialty hospitals. NRF is wholly owned by CWP Bidco LP, an entity affiliated with Highgate, a privately held real estate investment and hospitality management company, and Aurora Health Network LLC, a privately held healthcare-focused investment firm. In addition, upon completion of the Sponsor Transaction, employees of our Former Sponsor focused on the wellness infrastructure platform became employees of our New Sponsor. Our Advisor, now a subsidiary of our New Sponsor, will continue to manage our day-to-day operations pursuant to an advisory agreement.

From inception through December 31, 2021, we raised $2.0 billion in total gross proceeds from the sale of shares of our common stock in our continuous, public offerings, including $232.6 million pursuant to our distribution reinvestment plan, or our DRP, collectively referred to as our Offering.

Our Strategy

Our primary objective is to maximize value and generate liquidity for shareholders. Although our short-term strategy may continue to be impacted by the effects of the COVID-19 pandemic, the key elements of our 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.
- *Deploy Strategic Capital Expenditures.* We will continue to invest capital into our operating portfolio in order to maintain market position, functional and operating standards, and provide an optimal mix of services and enhance the overall value of our assets.
- *Pursue Dispositions and Opportunities for Asset Repositioning and Other Strategic Initiatives to Maximize Value*. We will actively pursue dispositions of assets and portfolios where we believe the disposition will achieve a desired return and generate value for shareholders. 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. We will also opportunistically explore other strategic initiatives to create value for shareholders.

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 - Operating - Healthcare properties operated pursuant to management agreements with healthcare managers.
- Direct Investments - Net Lease - Healthcare properties operated under net leases with an operator.
- 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 Investments - Mortgage loans or mezzanine loans to owners of healthcare real estate. During year ended December 31, 2021, we had one mezzanine loan, which was repaid in August 2021.

We generate revenues from resident fees, rental income and interest income. Resident fee income from our seniors housing 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. Interest income was 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.

For financial information regarding our reportable segments, refer to Note 12, “Segment Reporting” in our accompanying consolidated financial statements included in Part II, Item 8. “Financial Statements and Supplementary Data.”

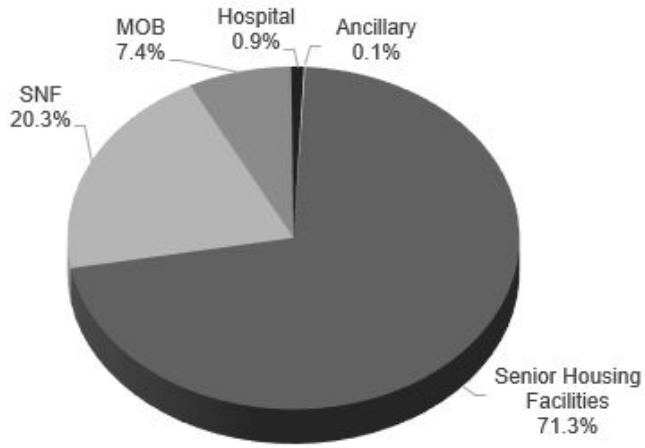
The following table presents a summary of investments as of December 31, 2021 (dollars in thousands):

Investment Type / Portfolio	Amount[2][3]	Properties[1][2]					Primary Locations	Ownership Interest
		Seniors Housing	MOB	SNF	Hospitals	Total		
Direct Investments - Operating								
Winterfell	$ 904,985	32	—	—	—	32	Various	100.0%
Rochester	219,518	10	—	—	—	10	Northeast	97.0%
Watermark Aqua	77,521	4	—	—	—	4	Southwest/Midwest	97.0%
Avamere	99,438	5	—	—	—	5	Northwest	100.0%
Oak Cottage	19,427	1	—	—	—	1	West	100.0%
Other[4]	2,030	—	—	—	—	—	West	97.0%
Subtotal	$ 1,322,919	52	—	—	—	52		
Direct Investments - Net Lease								
Arbors	$ 126,825	4	—	—	—	4	Northeast	100.0%
Subtotal	$ 126,825	4	—	—	—	4		
Unconsolidated Investments								
Diversified US/UK	$ 445,855	92	106	39	9	246	Various	14.3%
Trilogy[5]	405,667	23	—	69	—	92	Various	23.2%
Espresso[6]	91,348	1	—	48	—	49	Various	36.7%
Eclipse	37,291	42	—	9	—	51	Various	5.6%
Solstice[7]	—	—	—	—	—	—	Various	20.0%
Subtotal	$ 980,161	158	106	165	9	438		
Total Investments	$ 2,429,905	214	106	165	9	494		

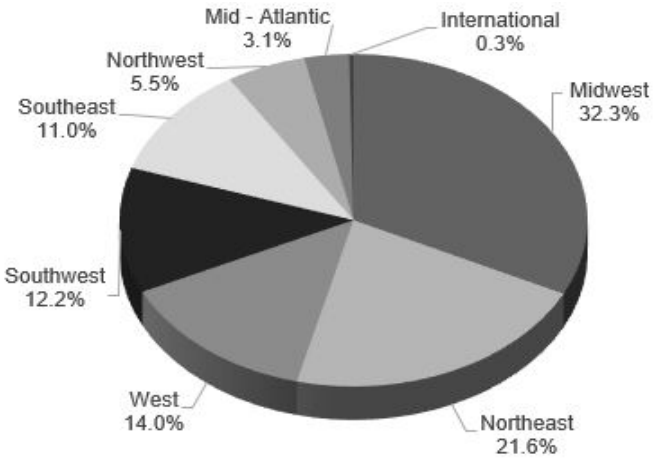
(1) Classification based on predominant services provided, but may include other services.
(2) Excludes properties held for sale.
(3) Based on cost for real estate equity investments, which includes purchase price allocations related to net intangibles, deferred costs, other assets, if any, and adjusted for subsequent capital expenditures. For real estate equity investments, includes cost associated with purchased land parcels that are not included in the count.
(4) Represents seven condominium units for which we hold future 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) Reclassified 59 properties as held for sale as of December 31, 2021.
(7) 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%.

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, 2021:

- *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.

- *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.* Services 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 into 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 75.1% for the year ended December 31, 2021.

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 remaining four net lease properties are leased and operated by Arcadia Management and have remaining lease terms of eight years. However, the operator has failed to remit rent and comply with other contractual terms of its lease agreements, which resulted in defaults under the operator's leases as of December 31, 2021.

In December 2021, we sold six net lease properties leased and operated by Watermark Retirement Communities.

Operators and Managers

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

Operator / Manager		As of December 31, 2021		Year Ended December 31, 2021	
		Properties Under Management	Units Under Management[1]	Property and Other Revenues[2]	% of Total Property and Other Revenues
Solstice Senior Living	(3)	32	4,000	$ 98,977	40.7 %
Watermark Retirement Communities		14	1,753	42,447	17.4 %
Avamere Health Services		5	453	17,301	7.1 %
Integral Senior Living		1	44	4,556	1.9 %
Arcadia Management	(4)	4	572	(3,900)	(1.6)%
Subtotal		56	6,822	$ 159,381	65.5 %
Properties sold		17	3,630	83,896	34.5 %
Total				$ 243,277	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) During the year ended December 31, 2021, we recorded rental income to the extent rental payments were received. Rental income was reduced by $7.4 million for the write-off of straight-line rent receivables, as full collection of contractual rent under the lease was deemed not to be probable.

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. During the year ended December 31, 2021, we contributed an additional $0.4 million to Solstice.

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, 2021[1]				
						Seniors Housing Facilities	MOB	SNF	Hospitals	Total
Diversified US/UK	NRF	Dec-2014	14.3 %	$ 445,855	$ 243,544	92	106	39	9	246
Trilogy	American Healthcare REIT / Management Team of Trilogy Investors, LLC	Dec-2015	23.2 %	405,667	189,032	23	—	69	—	92
Espresso	Formation Capital, LLC/Safanad Management Limited	Jul-2015	36.7 %	91,348	55,146	1	—	48	—	49
Eclipse	NRF/ Formation Capital, LLC	May-2014	5.6 %	37,291	23,400	42	—	9	—	51
Subtotal				$ 980,161	$ 511,122	158	106	165	9	438
Solstice		Jul-2017	20.0 %	—	402	—	—	—	—	—
Total				$ 980,161	$ 511,524	158	106	165	9	438

(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, 2021.

- *Diversified US/UK.* 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.
- *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. American Healthcare REIT, Inc., or AHR, and management of Trilogy own the remaining 76.8% of this portfolio.
- *Espresso.* Portfolio of predominantly SNFs, located in various regions across the United States, and organized in sub-portfolios 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.
- *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.
- *Solstice.* Operator platform joint venture established to manage the operations of the Winterfell portfolio. An affiliate of ISL owns the remaining 80.0%.

Debt Investments

Our investments in real estate debt secured by healthcare facilities consisted of one mezzanine loan to the Espresso portfolio, in which we also have an equity investment. Refer to "—Unconsolidated Investments" above. In August 2021, the outstanding principal balance of the mezzanine loan was repaid in full.

Human Capital

As of December 31, 2021, we had no employees. Our Advisor or its affiliates provide management, acquisition, advisory, marketing, investor relations and certain administrative services for us.

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 opportunities for our 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. During the COVID-19 pandemic, we performed virtual site tours of our properties in order to comply with safety measures and restrictions and began resuming in person inspections as conditions have allowed. 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.

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.

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 operator to make payments to us.

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.

Inflation

Macroeconomic trends such as increases in inflation and rising interest rates can have a substantial impact on our business and financial results. Many of our costs are subject to inflationary pressures. These include labor, repairs and maintenance, food costs, utilities, insurance and other operating costs. Our managers' ability to offset increased costs by increasing the rates charged to residents may be limited, therefore, cost inflation may substantially affect the net operating income of our operating properties as well as the ability of our net lease operator to make payments to us.

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 could 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 could 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, a partner allocated disallowed interest with respect to a partnership's 2019 taxable year could 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 20-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

ALFs, ILFs, MCFs, 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 in many ways, including by decreasing the number of uninsured individuals in the United States by creating health insurance exchanges to facilitate the purchase of health insurance, expanding Medicaid eligibility, subsidizing insurance premiums, reforming insurance laws and establishing requirements and incentives for businesses to provide healthcare benefits.

The ACA, along with other government health insurance programs, like Medicare and Medicaid, are political flashpoints. Generally speaking, Republicans at federal and state levels have sought to limit federal and state financial support for health insurance coverage. Alternatively, Democrats have sought to expand federal and state financial support for health insurance.

Republican governors and attorneys general pursued legal challenges to the ACA, including one that was considered by the US Supreme Court as recently as 2021. President Trump and congressional Republicans sought, unsuccessfully, to repeal and replace the ACA with narrower alternatives. President Trump, while in office, approved numerous regulatory changes that had the effect of reducing the number of individuals receiving insurance through the ACA exchange marketplaces, and decreasing the number of individuals enrolled in Medicaid.

In recent years, President Biden has sought to increase insurance coverage in the United States, and has achieved some gains through enhanced premium support and Medicaid program changes.

As control of the White House, Congress, governors' mansions and state legislatures change among political parties, we expect federal and state support for government health insurance programs to wax and wane. Changes to the ACA, Medicare or Medicaid affect our operators, which then can affect our business. Some changes can be material. It is difficult to predict what changes may be forthcoming or how those changes will impact our revenues.

Reimbursements

Federal, state and private payor reimbursement methodologies applied to healthcare providers are continuously evolving. Congress as well as 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.

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 generally 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 recent years, the COVID-19 pandemic has had a profound effect on these healthcare businesses. Patient health, length of stay and case mix have all been abnormal and unpredictable. 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. Patient acuity and cost experience during the COVID-19 pandemic may disrupt the datasets used to determine these payment systems in succeeding years. Federal and state governmental agencies overseeing healthcare programs 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. All of these dynamics and potential changes could be disruptive to our operators and our business as a result.

Skilled Nursing Conditions for Participation - Federal and state health program regulators establish conditions of participation that require healthcare facilities, including SNFs, to meet certain environmental, management and care standards, as well as other regulatory obligations to remain in Medicare and Medicaid programs. Failure of our operators to comply with these Medicare and Medicaid participation requirements could have an adverse impact on the operations and financial condition of our operators, which in turn may adversely impact us, could have an adverse impact the operations and financial condition of our operators, which in turn may adversely impact us.

Skilled Nursing Conditions for Reimbursement- On July 29, 2021, CMS issued a final rule updating the prospective payment system compensation methodology applicable to SNFs for therapy services, which includes updates to the SNF Quality Reporting Program and the SNF Value-Based Program for FY 2022. These changes follow material changes that took effect on October 1, 2019, to the SNF payment model. This Patient Driven Payment Model determined SNF reimbursement by the duration of services provided based on anticipated patient needs. 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. Medicaid reform activities 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.

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 operators 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 licensure or 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 U.S. Department of Health and Human Services, or HHS, Provider Relief Fund. Recipients must satisfy reporting obligations and attest to terms and conditions. The HHS 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."

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 may have a material adverse effect on our business, results of operations, cash flows and financial condition.

The COVID-19 pandemic has, and will continue to, materially and adversely impact our business. The extent of the COVID-19 pandemic's continuing impact on our business will depend upon a variety of factors, including the duration and severity of the outbreak, including the impact of new variants, the continued deployment of vaccines and boosters and the effectiveness of these vaccines and boosters over time and against new variants, public health measures, such as business closures and stay-at-home orders, and other actions taken by governments, businesses and individuals in response to the pandemic, the availability of federal, state, local or non-U.S. funding programs, general economic disruption and uncertainty in key markets and financial market volatility and the impact of the COVID-19 pandemic on general macroeconomic conditions and the pace of recovery when the pandemic subsides.

In particular, our properties have been disproportionately impacted by COVID-19. Our revenue depends significantly on occupancy levels at our properties. COVID-19 has, to varying degrees during the course of the pandemic, prevented prospective residents and their families from visiting senior housing and skilled nursing facilities and limited the ability of new occupants to move into these facilities. The continued impact of the pandemic on occupancy remains uncertain at this stage.

Our properties have also incurred increased operational costs as a result of the COVID-19 pandemic. Lower labor force participation rates and inflationary pressures affecting wages have driven increased labor expenses across our industry, with our managers and operators implementing higher wage rates, more costly overtime and usage of contract labor to address these challenges. Our managers and operators have also experienced significant cost increases as a result of increased health and safety measures, increased governmental regulation and compliance, vaccine mandates and other operational changes necessitated either directly or indirectly by the COVID-19 pandemic. Many of these expenses may remain at these higher levels even if the pandemic subsides.

All of these factors have, and may continue, to increase the magnitude of others risks, such as manager and tenant insolvencies, litigation, defaults under our borrowings and liquidity.

There is a high degree of uncertainty regarding the implementation and impact of the CARES Act and other future COVID-19 relief measures. There can be no assurance as to the total amount of financial assistance we or our operators will receive or that we will be able to benefit from provisions intended to increase access to resources and ease regulatory burdens for healthcare providers.

In response to the COVID-19 pandemic, the CARES Act, the Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021 authorized a total of $186 billion to be distributed to healthcare providers through the Provider Relief Fund, which is administered by HHS. These grants are intended to reimburse eligible providers for healthcare-related expenses or lost revenues attributable to COVID-19. Recipients are not required to repay distributions from the Provider Relief Fund, provided that they attest to and comply with certain terms and conditions, including reporting, record maintenance and audit requirements and not use grants received from the Provider Relief Fund to reimburse expenses or losses that other sources are obligated to reimburse.

HHS began distributing Provider Relief Fund grants in April 2020 and has made grants available to various provider groups in phases. We, or our operators, applied for grants under Phase 2, Phase 3 and Phase 4 of the Provider Relief Fund and we, or our operators, may apply for additional grants in the future. There can be no assurance that any additional grants from the Provider Relief Fund or any future source of government funding will be made available to us or our operators in the future. Any grants that are ultimately received and retained are not expected to fully offset the respective losses incurred that are attributable to COVID-19. Further, although we continue to monitor and evaluate the terms and conditions associated with the Provider Relief Fund distributions, we cannot assure you that we or our operators will be in compliance with all requirements related to the payments received under the Provider Relief Fund. If we or any of our operators fail to comply with all of the terms and conditions, we or they may be required to repay some or all of the grants received and may be subject to other enforcement action, which could have a material adverse impact on our business and financial condition.

There remains a high degree of uncertainty surrounding the continued implementation of the CARES Act and related legislation. The federal government continues to evaluate its response to the COVID-19 pandemic, including whether additional financial measures and related regulations and guidance should be implemented. There can be no assurance that the terms and conditions of the Provider Relief Fund grants or other programs will not change or be interpreted in ways that affect our ability to comply with such terms and conditions (which could affect our ability to retain any grants that we receive), the amount of total financial grants we may ultimately receive or our eligibility to participate in any future funding. We continue to assess the potential impact of the COVID-19 pandemic and government responses to the pandemic on our business, financial condition and results of operations.

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, 2021, we had 52 properties operated pursuant to management agreements, excluding our unconsolidated ventures and assets held for sale, or 90.0% 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, COVID-19 related workforce challenges 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, 2021, excluding properties sold, five of our properties operated under management agreements generated operating losses. Our Winterfell portfolio in particular, which represents 58.1% 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, 2021, Watermark and Solstice or their respective affiliates collectively managed 46 of our seniors housing facilities pursuant to management agreements. For the year ended December 31, 2021, properties managed and leased by Watermark and Solstice, excluding revenues from properties sold, represented 26.6% and 62.1% of our total property and other revenues, respectively, and 22.4% and 58.1% 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.

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, 2021, 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.

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 our Sponsor, with respect to the Diversified US/UK and Eclipse portfolios, Formation, with respect to the Eclipse and Espresso portfolios, AHR with respect to the Trilogy portfolio and Watermark with respect to portions of the Aqua and Rochester portfolios. As of December 31, 2021, unconsolidated joint ventures and consolidated joint ventures represented 40.3% and 12.3%, 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 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 cost of this insurance coverage and 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.

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. These investments may expose us to risks that are different from those commonly found in the United States, including, but not limited to adverse market conditions caused by inflation or other changes in national or local political and economic conditions, including in response to the COVID-19 pandemic, challenges of complying with a wide variety of foreign laws 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 Americans with Disabilities Act of 1990, or the ADA, Fair Housing Act of 1968, or the 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 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 at this time, we cannot assure you that our access to capital and other sources of funding will not become constrained, which could adversely affect 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.

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, 2021, we had $1.7 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, 2021, $85.4 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. 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, we or our joint venture partners may be unable to refinance 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.

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 the phase out of the reference rate. As of December 31, 2021, the ICE Benchmark Association, or IBA, ceased publication of all non-USD LIBOR and previously announced its intention to cease publication of remaining USD-LIBOR settings immediately after June 30, 2023. 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. We did not declare any distributions for the years ended December 31, 2021 or December 31, 2020, since our board of directors determined to suspend distributions in order to preserve capital and liquidity.

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 $3.91 for our common stock as of June 30, 2021. 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 November 11, 2021, our board of directors approved and established an estimated value per share of $3.91 for our common stock as of June 30, 2021. 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 our Sponsor or one of its affiliates, 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, owns its own diversified portfolio of medical office buildings, senior housing facilities, skilled nursing facilities and specialty hospitals and therefore faces assorted conflicts of interest that may influence its actions. Refer to "—Risks Related to Conflicts of Interest" below.

Our Former Sponsor's divestiture of its healthcare platform to our New Sponsor could have an adverse impact on our business.

Our Former Sponsor completed its previously announced disposition of its wellness infrastructure platform, including our Advisor, in February 2022. As a result of this transaction, the ultimate ownership and control of our Advisor has changed. The new owners of our New Sponsor and Advisor may not have the experience and track record of our Former Sponsor, may have different business objectives and/or may change the manner in which they provide services to us. In addition, the transaction may result in disruption in our Advisor's ability to manage our business, including with respect to its ability to attract, retain and motivate key personnel, the transition of various information technology and other services to the new platform and may also cause clients and others that deal with our Sponsor to seek to change existing business relationships. Any such fundamental change to our Advisor could be disruptive to our business and operations and could have a material adverse effect on our performance.

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.

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. 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.

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.

Payment of fees to our Advisor and its affiliates 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. 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.

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.

If we terminate our advisory agreement with our Advisor, we will no longer have access to our Sponsor Line, and our liquidity may be adversely affected.

Upon termination of our advisory agreement for any reason, the amounts currently drawn under our Sponsor Line, if any, would become immediately due and payable upon a termination of our Advisor and we would no longer have the ability to draw on this line of credit, which will adversely affect our liquidity.

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. 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. 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.

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 the key investment professionals relied upon by our Advisor are also officers, directors and managers of other 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 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.

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, 2021, our Advisor allocated $14.0 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. As a result of their interests in our Sponsor and its affiliated entities and the fact that they engage in and they continue to engage in other business activities on behalf of our Sponsor and its affiliated entities, these individuals face conflicts of interest in allocating their time among us, our Advisor and its affiliates, 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. Our investment strategy may be similar to that of, and may overlap with, the investment strategies of our Sponsor or one of its affiliates. Our Advisor has adopted an allocation policy that provides that all investment opportunities sourced by our Advisor are allocated the Company and affiliated entities of the Advisor based on 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 may be pursued by an affiliated entity. In certain situations, our Advisor and its affiliates may determine to allow more than one client, including us, 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 in a manner that is fair and equitable over time.

While these are the current procedures for allocating investment opportunities, our Advisor and its affiliates may revise this allocation policy. 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 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, those of its affiliated entities and 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.

In addition, the transition of certain information systems in connection with the Sponsor Transaction, may separately cause delays and other problems in our activities.

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 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 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.

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. In 2021, we had REIT taxable income that was offset by our net operating loss carry-forward and as such, we were not subject to the distribution requirements. We do not currently expect to have any REIT taxable income in 2022 and we do not currently expect that we will be required to make distributions in order to satisfy the REIT distribution requirements.

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% 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. In 2021, we had REIT taxable income that was offset by our net operating loss carry-forward and as such, we were not subject to the distribution requirements. We do not currently expect to have any REIT taxable income in 2022 and we do not currently expect that we will be required to make distributions in order to satisfy the REIT distribution requirements. 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% 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 - operating and direct investments - net lease 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, 2021 (dollars in thousands):

Location	Square Feet	Units[1]	Ownership Interest	Type[2]	Gross Carrying Value[3]	Borrowings
Direct Investments - Operating[4]						
Albany, OR	30,868	50	100%	ALF	4,002	8,492
Apple Valley, CA	116,365	130	100%	ILF	19,436	20,522
Auburn, CA	90,494	110	100%	ILF	21,554	23,185
Austin, TX	102,885	130	100%	ILF	26,159	25,528
Bakersfield, CA	106,640	126	100%	ILF	24,344	16,201
Bangor, ME	111,000	117	100%	ILF	26,860	20,661
Bellingham, WA	86,615	120	100%	ILF	22,770	22,941
Churchville, NY	78,110	77	97%	ILF	8,797	6,575
Clovis, CA	99,849	118	100%	ILF	24,644	18,055
Columbia, MO	105,948	121	100%	ILF	26,175	21,844
Corpus Christi, TX	118,671	132	100%	ILF	17,252	17,900
East Amherst, NY	100,997	116	100%	ILF	22,069	17,829
El Cajon, CA	77,930	105	100%	ILF	18,399	20,197
El Paso, TX	95,517	121	100%	ILF	17,199	11,750
Fairport, NY	126,927	120	100%	ILF	22,705	15,899
Fenton, MO	95,007	114	100%	ILF	25,862	23,626
Frisco, TX	228,471	202	97%	ILF	42,465	26,000
Frisco, TX	45,130	51	97%	ALF	13,771	—
Grand Junction, CO	124,174	144	100%	ILF	29,949	18,751
Grand Junction, CO	79,778	103	100%	ILF	14,672	9,608
Grapevine, TX	97,796	116	100%	ILF	11,636	21,492
Greece, NY	51,978	78	97%	ALF	7,595	—
Greece, NY	195,840	216	97%	ILF	34,996	26,833
Groton, CT	119,474	162	100%	ILF	16,847	16,933
Guilford, CT	142,136	131	100%	ILF	11,778	23,382
Henrietta, NY	158,959	136	97%	ILF	19,374	11,881
Joliet, IL	117,357	114	100%	ILF	18,075	14,349
Kennewick, WA	105,268	120	100%	ILF	21,365	7,387
Las Cruces, NM	113,874	131	100%	ILF	18,401	10,764
Lees Summit, MO	122,917	126	100%	ILF	23,104	26,162
Lodi, CA	96,251	119	100%	ILF	25,154	19,353
Milford, OH	145,896	124	97%	ILF	18,460	18,661
Milford, OH	19,500	40	97%	MCF	6,346	—
Normandy Park, WA	98,206	109	100%	ILF	15,308	15,617
Palatine, IL	161,700	135	100%	ILF	17,061	19,352
Penfield, NY	108,533	200	97%	ALF	13,001	12,502
Penfield, NY	86,200	87	97%	ILF	11,150	10,918
Plano, TX	106,868	115	100%	ILF	11,965	15,483
Port Townsend, WA	106,585	120	100%	ALF	24,006	16,236
Renton, WA	88,162	111	100%	ILF	25,594	18,327
Rochester, NY	242,430	220	97%	ILF	36,874	18,911
Rochester, NY	89,843	95	97%	ALF	3,628	5,341
Roseburg, OR	44,750	63	100%	ALF	12,985	12,013
Sandy, OR	72,619	84	100%	ALF	19,201	13,702
Sandy, UT	103,449	116	100%	ILF	16,067	15,201
Santa Barbara, CA	27,217	44	100%	MCF	18,533	3,914
Santa Rosa, CA	120,553	116	100%	ILF	34,035	26,888

Location	Square Feet	Units[1]	Ownership Interest	Type[2]	Gross Carrying Value[3]	Borrowings
Sun City West, AZ	200,553	195	100%	ILF	26,643	24,707
Tacoma, WA	149,856	157	100%	ILF	43,194	28,916
Victor, NY	228,501	182	97%	ILF	36,547	27,174
Victor, NY	85,455	45	97%	ILF	14,144	11,732
Wenatchee, WA	128,905	136	100%	ALF	32,628	18,701
Undeveloped Land						
Penfield, NY	—	—	97%	NA	534	—
Rochester, NY	—	—	97%	NA	544	—
Direct Investments - Net Lease						
Bohemia, NY [5]	73,000	130	100%	ALF	32,223	22,716
Hauppauge, NY [5]	84,000	119	100%	ALF	21,932	13,782
Islandia, NY [5]	192,000	218	100%	ALF	45,926	33,866
Jericho, NY [5]	55,000	105	100%	ALF	21,962	15,005
Total	6,163,007	6,822			$ 1,197,900	$ 943,765

(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) 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, 2021 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."
(4) Excludes one property for which we hold future interests in seven condominium units.
(5) Initial lease term expires in August 2029. Operator has failed to remit rent timely and comply with other contractual terms of its lease agreements, which resulted in a default under the operator's leases as of December 31, 2021.

As of December 31, 2021, 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. The effects of COVID-19 may also lead to heightened risk of litigation, with an ensuing increase in litigation-related costs. 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 November 11, 2021, 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 $3.91 as of June 30, 2021, 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 $1.57 billion, compared with an aggregate cost, including purchase price, deferred costs and other assets, of $2.09 billion, (ii) the estimated value of our healthcare real estate investments held through unconsolidated joint ventures was $439.7 million, compared with an aggregate equity contribution, net of distributions in connection with asset sales, of $468.6 million, (iii) the estimated value of our healthcare-related commercial real estate debt investment was $27.7 million, equal to the aggregate outstanding principal amount of $27.7 million, and (iv) the estimated value of our healthcare real estate liabilities was $1.35 billion, compared with an aggregate outstanding principal amount of $1.41 billion.

For additional information on the methodology used in calculating our estimated value per share as of June 30, 2021, refer to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 filed with the SEC on November 12, 2021.

It is currently anticipated that our next estimated value per share will be based upon our assets and liabilities as of June 30, 2022 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 17, 2022, we had 37,382 stockholders of record.

Distributions

We did not declare any distributions to stockholders during the years ended December 31, 2021 and 2020. In January 2019, we declared distributions to stockholders totaling $5.4 million, of which $3.0 million were distributed in cash and $2.4 million were reinvested pursuant to our DRP. Distributions were paid to stockholders a month in arrears.

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, 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 the shares of

common stock. The following table presents the estimated value per share of common stock 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
November 2021	3.91	6/30/2021

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.

Since inception, 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, 2021, we have not repurchased any shares of our common stock.

Unregistered Sales of Equity Securities

On October 31, 2021 we issued 237,298 shares of common stock at $3.89 per share to our Advisor as part of its asset management fee, pursuant to our advisory agreement. On November 30, 2021 and December 31, 2021, we issued 237,298 and 239,769 shares of common stock at $3.91 per share, respectively, 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. [Reserved]

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

The following discussion should be read in conjunction with our consolidated financial statements and notes thereto included in Part I, Item 1. "Financial Statements" and the risk factors in Part II, 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.

Business Summary

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 - Operating - Healthcare properties operated pursuant to management agreements with healthcare managers.
- Direct Investments - Net Lease - Healthcare properties operated under net leases with an operator.
- 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 Investments - Mortgage loans or mezzanine loans to owners of healthcare real estate. During the year ended December 31, 2021, we had one mezzanine loan, which was repaid in August 2021.

For information regarding our investments as of December 31, 2021, refer to "Our Investments" included in Part I, Item 1. "Business."

Business Update

Investments, Financings and Disposition Activities

The year ended December 31, 2021 marked a pivotal and transitional period for our business, portfolio composition and liquidity. The following is a summary of significant investment, financing and disposition activities during the year:

- In December 2021, we completed the sale of the Watermark Fountains net lease and operating portfolios for $580.0 million. The sale generated net proceeds of approximately $114.0 million after the repayment of mortgage notes, which totaled $450.7 million and payment of transaction and other costs, distributions to non-controlling interests, and releases of reserves and other prorations.
- In August 2021, the outstanding principal balance of our mezzanine loan was repaid in full. Principal repayments received during the year ended December 31, 2021 totaled $74.4 million, which includes payment-in-kind interest. The borrower funded these principal repayments through net proceeds generated from the sale of underlying collateral and available operating cash flow.
- In July 2021, we repaid, in full, the $35.0 million outstanding borrowings under our revolving line of credit from an affiliate of our Sponsor, or the Sponsor Line.
- In June 2021, we completed the sale of the Kansas City portfolio, which generated net proceeds of approximately $4.7 million.
- In May 2021, we completed the sale of the Smyrna net lease property, which generated net proceeds of approximately $1.7 million.
- In April 2021, we extended the maturity date of a mortgage note payable for a property within the Rochester portfolio to August 2022 and made a $1.0 million principal repayment.
- In March 2021, we completed the sale of a property within the Aqua portfolio for $22.0 million. The sale generated net proceeds of $0.9 million, after the repayment of the outstanding mortgage principal balance of $20.1 million and transaction costs.

- 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.

Operating Performance

Throughout the year ended December 31, 2021, the world continued to experience the broad effects of the COVID-19 pandemic. Our healthcare real estate business and investments were challenged by declines in resident occupancy, lower labor force participation rates, which drove increased labor costs, and inflationary pressures on other operating expenses. Significant vaccine deployment helped to reduce COVID-19 infections and transmissions within our communities, which in turn, improved demand, led to an improvement in resident occupancy at our communities during the third and fourth quarters of 2021 and reduced preventative operating costs.

We continue to see increased demand and lead generation for our communities and remain optimistic on the long-term outlook for the seniors housing industry, but anticipate the continuing impact of the COVID-19 pandemic on the operational and financial performance of our business, which may differ considerably across regions and fluctuate over time. New variants of the virus, which may increase reported infection rates, along with labor and inflationary pressures on costs, may further interfere with the general economic recovery.

At this time, the progression of the global economic recovery from the broad effects of the pandemic is difficult to assess and estimate the future impact on our results of operations. Accordingly, any estimates of the effects of COVID-19 as reflected 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 following is a summary of the performance of our investment segments for the year ended December 31, 2021 as compared to the year ended December 31, 2020. For additional information on financial results, refer to "—Results of Operations."

Direct Investments - Operating

The impact of COVID-19 resulted in occupancy levels nearing historical lows across our direct operating investments at the beginning of 2021. While average occupancy was lower for the year ended December 31, 2021 as compared to 2020, on a same store basis, our direct operating investments experienced an improved demand and an increase in the number of resident move-ins during 2021. Recent occupancy trends have shown improvements, with average monthly occupancy in December 2021 exceeding the average monthly occupancy in December 2020 by 2.5%. A summary of average occupancy by manager is as follows:

	Average Monthly Occupancy			Average Annual Occupancy		
Operator / Manager	**December 2021**	**December 2020**	**Variance**	**2021**	**2020**	**Variance**
Watermark Retirement Communities[1]	77.2 %	76.4 %	0.8 %	75.4 %	77.5 %	(2.1)%
Solstice Senior Living	77.2 %	74.2 %	3.0 %	73.9 %	76.8 %	(2.9)%
Avamere Health Services	85.0 %	80.1 %	4.9 %	81.9 %	85.5 %	(3.6)%
Integral Senior Living[1]	97.5 %	100.0 %	(2.5)%	98.1 %	88.8 %	9.3 %
Direct Investments - Operating	**77.9 %**	**75.4 %**	**2.5 %**	**75.1 %**	**77.7 %**	**(2.6)%**

(1) Average monthly and annual occupancy excludes properties sold.

On a same store basis, rental and resident fee income of our direct operating investments declined to $163.3 million for the year ended December 31, 2021 as compared to $163.9 million for the year ended December 31, 2020. Overall, average annual occupancy for our direct operating investments declined by 2.6% in 2021 as compared to 2020. However, declines in revenue from lower occupancy were partially offset by rate increases. While occupancy improved during the second half of 2021, our direct operating investments' occupancy levels remain below pre-pandemic averages.

On a same store basis, excluding COVID-19 related expenses, property operating expenses of our direct operating investments increased to $120.4 million for the year ended December 31, 2021 as compared to $111.0 million for the year ended December 31, 2020. We continue to experience staffing challenges and, in turn, salaries and wages expense has increased due to additional overtime hours and use of agency and contract labor to fill open positions. In addition, sales and marketing expenses have increased with the improved volume of resident move-ins, while the resumption of normalized business operations has allowed our managers to complete deferred repairs and maintenance projects.

Overall, on a same store basis, rental and resident fee income, net of property operating expenses, of our direct operating investments decreased to $42.9 million for the year ended December 31, 2021 as compared to $52.9 million for the year ended December 31, 2020.

Our direct operating investments incurred COVID-19 related expenses totaling $4.4 million and $9.9 million for the years ended December 31, 2021 and 2020, respectively. In addition, during the years ended December 31, 2021 and 2020, our direct operating investments received and recognized grant income totaling $7.7 million and $1.8 million, respectively, from the Provider Relief Fund administered by the U.S. Department of Health and Human Services, or HHS. 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. 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.

Direct Investments - Net Lease

On a same store basis, we recognized $3.4 million of rental income from our direct net lease investments during the year ended December 31, 2021, as compared to $10.1 million recognized in 2020, excluding straight-line rental adjustments in both periods. A summary of rental income from our direct net lease investments is as follows:

- The operator of our Arbors portfolio has failed to remit contractual rent and satisfy other lease conditions. Contractual monthly rent obligations have been remitted through April 2021 and we have recorded rental income to the extent rental payments were received during the year ended December 31, 2021.
- We sold our Watermark Fountains net lease portfolio in December 2021. The operator remitted full contractual rent per the amended terms of its lease through November 2021. In April 2021, we executed a lease modification that allowed the operator to defer up to $3.0 million of contractual rent payments over the remaining term of the lease, which were forgiven upon the sale of the portfolio.
- We sold our Smyrna property in May 2021. No rental income was received or recognized from the operator during the year ended December 31, 2021.

Unconsolidated Investments

Overall, our unconsolidated investment portfolios experienced similar operational challenges presented by the COVID-19 pandemic as our direct operating investments. Equity in earnings totaled $15.8 million for the year ended December 31, 2021 as compared to equity in losses of $34.5 million for the year ended December 31, 2020. Equity in earnings includes our proportionate share of net gains from sales transactions in the Espresso and Eclipse joint ventures, which totaled $22.0 million for the year ended December 31, 2021. These sales resulted in lower rental income recognized by the joint ventures during the year ended December 31, 2021. Equity in losses for the year ended December 31, 2020 includes our proportionate share of impairment losses recorded by the underlying joint ventures of our unconsolidated investments, which totaled $38.2 million.

During the year ended December 31, 2021, we received distributions from our unconsolidated investments, which totaled $18.1 million as compared to $5.9 million for the year ended December 31, 2020. The increase in distributions is primarily a result of increased sales activity during the year ended December 31, 2021. Distributions continued to be limited by reinvestment and development in the Trilogy joint venture, operational challenges in the Diversified US/UK and Eclipse joint ventures and debt repayments in the Espresso joint venture.

The following is a summary of operations and performance for the Trilogy, Diversified US/UK, and Espresso joint ventures for the year ended December 31, 2021:

- Trilogy: Labor shortages, resulting in additional overtime and agency staffing, continued to impact the operations of the predominantly SNF portfolio during the year ended December 31, 2021. Additionally, less federal COVID-19 provider relief grants were received and recognized as income during the year ended December 31, 2021 as compared to 2020. While challenged throughout 2021, occupancy and financial results improved during the fourth quarter of 2021.
- Espresso: The joint venture received full contractual rent from its net lease operators during the year ended December 31, 2021. In December 2021, the joint venture resumed distributions to its partners for the first time since the second quarter of 2017. During 2021, the portfolio sold 43 properties, or 28% of the portfolio. Net proceeds from the sales were used to repay our mezzanine loan originated to the joint venture. Refer to "—Business Update" for further detail on the mezzanine loan repayment.
- Diversified US/UK: The joint venture received substantially all contractual monthly rent from its net lease and MOB tenants in the United States during the year ended December 31, 2021. SNF and ALF operating portfolios sustained suboptimal occupancy levels and experienced staffing challenges resulting from the continued broad effects of the

COVID-19 pandemic. The operator of the joint venture's net lease portfolio in the United Kingdom experienced similar effects of the pandemic on its operations, which resulted in a lease modification and lower rental income recognized during the year ended December 31, 2021.

Debt Investments

During the year ended December 31, 2021, interest income generated by our mezzanine loan debt investment totaled $4.7 million, a decrease from $7.7 million for the ended year ended December 31, 2020, as a result of the loan being repaid in full in August 2021. The borrower funded principal repayments through net proceeds generated from the sale of underlying collateral and available operating cash flow.

Recent Developments

The following is a discussion of material events which have occurred subsequent to December 31, 2021 through March 17, 2022.

Sponsor Transaction

On February 28, 2022, our former Sponsor, DigitalBridge Group, Inc., or our Former Sponsor, completed the previously announced disposition of its wellness infrastructure platform, or the Sponsor Transaction, which included CNI NSHC Advisors, LLC, or our Advisor, and the individuals currently engaged in the management and oversight of the healthcare platform. The sale resulted in a change of the owner and control of our Advisor to NRF Holdco, LLC, or NRF or our New Sponsor, but did not directly impact the ownership or control of us or any of our assets.

Advisory Agreement

In connection with the Sponsor Transaction, our advisory agreement was renewed for a one-year term commencing on February 28, 2022 upon terms identical to those in effect through February 28, 2022, but removed our Former Sponsor as the Sponsor and added NRF as the New Sponsor.

Sponsor Line of Credit

On February 28, 2022, our Sponsor Line was amended to extend the maturity date to February 28, 2024.

Outlook and Recent Trends

The healthcare industry, which includes ILFs, ALFs, MCFs, CCRCs, SNFs, MOBs and hospitals, continues to experience the effects of COVID-19, including declines in resident occupancy, lower operating cash flows and compressed operating margins.

The CARES Act has provided over $100 billion in grants to eligible health care providers for health care related expenses or lost revenues that are attributable to COVID-19. Licensed assisted living providers became eligible to apply for funding under the Provider Relief Fund Phase 2 General Distribution allocation and remain eligible under the Provider Relief Fund Phase 3 and Phase 4 General Distributions. In addition, the CMS has provided accelerated and advance payments to Medicare providers. 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 uncertainty regarding future availability of such relief, and its ultimate impact, including the extent to which relief funds from such programs will provide meaningful support for lost revenue and increasing costs, is uncertain. Additionally, although we continue to evaluate and monitor the terms and conditions associated with relief programs, we cannot ensure ultimate compliance with all the requirements related to the assistance received. If any of our operators fail to comply with all of the terms and conditions, they may be required to repay some or all of the grants received and may be subject to other enforcement action, which could have a material adverse impact on our business and financial condition.

Healthcare industry operating results will continue to be impacted to the extent occupancy remains below pre-pandemic levels. Further, the healthcare industry anticipates operating margins will continue to be impacted by cost inflation, labor pressures, additional staffing needs and related cost burdens.

The healthcare industry's operational and financial recovery from the impact of the COVID-19 will depend on a variety of factors, which may differ considerably across regions, fluctuate over time and are highly uncertain. The healthcare industry experienced a higher pace of move-ins during the fourth quarter of 2021 as compared to the third quarter of 2021. As a result of overall increase in resident demand, improving consumer sentiment and easing restrictions on visitation and admissions, the seniors housing industry occupancy average rose to 81.0% during the fourth quarter of 2021 from 80.1% in the third quarter of 2021. In addition, annual inventory growth decreased to 2.4% during the fourth quarter of 2021, while construction versus inventory ratio of 5.2% remained elevated in the fourth quarter of 2021 (source: The National Investment Centers for Seniors Housing & Care, or NIC).

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 managers 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 5.2% in the fourth quarter of 2021 (source: NIC). It is expected that, 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 decreased to 2.3% as of the fourth quarter of 2021, 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 inspections, 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.

On February 28, 2022, the White House announced a set of reforms, developed by and implemented through HHS, aimed at improving safety and quality of nursing home care. The new initiatives include establishing a minimum nursing home staffing requirement, reducing resident room crowding and reinforcing safeguards against unnecessary medications and treatments. To ensure compliance, in addition to increased government inspections, the White House Administration plans to expand the financial penalties and other enforcement sanctions against facilities not meeting the set standards. These reforms might further increase the cost burdens for our SNF operators and expose them to financial penalties.

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:

- Impairment

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. Fair values can be estimated based upon the income capitalization approach, using net operating income for each property and applying indicative capitalization and discount rates or sales comparison approach, using what other purchasers and sellers in the market have agreed to as price for comparable properties.

Impairment

During the year ended December 31, 2021, we recorded impairment losses totaling $5.4 million on our operating real estate, consisting of $4.6 million recognized for one facility within our Winterfell portfolio, as a result of lower estimated future cash flows and market value, and $0.8 million for our Smyrna net lease property, which was sold in May 2021.

As of December 31, 2020, we had accumulated impairment losses of $145.1 million for operating real estate that we continue to hold as of December 31, 2021. Refer to our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 for additional information regarding impairment recorded in prior years.

During the year ended December 31, 2021, we did not impair any of our investments in unconsolidated ventures. The Eclipse joint venture recorded impairment losses, which have been recognized through our equity in earnings, of which our proportionate share totaled $1.8 million.

Due to uncertainties over the extent and duration of 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 future impact of COVID-19 will depend on many factors beyond our control and knowledge, the resulting effect on impairment of our operating real estate and investments in unconsolidated ventures may materially differ from our current expectations and further impairment charges may be recorded in the future.

Results of Operations

Impact of COVID-19

Throughout the year ended December 31, 2021, the world continued to experience the broad effects of the COVID-19 pandemic. Our healthcare real estate business and investments were challenged by declines in resident occupancy, lower labor force participation rates, which drove increased labor costs, and inflationary pressures on other operating expenses. We continue to monitor the progression of the economic recovery from COVID-19 and its effects on our results of operations and assess recoverability of value across our assets as conditions change.

Comparison of the Year Ended December 31, 2021 to December 31, 2020 (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2021	2020	Amount	%
Property and other revenues				
Resident fee income	$ 105,955	$ 118,126	$ (12,171)	(10.3)%
Rental income	137,322	157,024	(19,702)	(12.5)%
Other revenue	—	198	(198)	(100.0)%
Total property and other revenues	243,277	275,348	(32,071)	(11.6)%
Interest income				
Interest income on debt investments	4,667	7,674	(3,007)	(39.2)%
Expenses				
Property operating expenses	177,936	184,178	(6,242)	(3.4)%
Interest expense	61,620	65,991	(4,371)	(6.6)%
Transaction costs	54	65	(11)	(16.9)%
Asset management fees - related party	11,105	17,170	(6,065)	(35.3)%
General and administrative expenses	12,691	16,505	(3,814)	(23.1)%
Depreciation and amortization	54,836	65,006	(10,170)	(15.6)%
Impairment loss	5,386	165,968	(160,582)	(96.8)%
Total expenses	323,628	514,883	(191,255)	(37.1)%
Other income, net	7,278	1,840	5,438	295.5 %
Realized gain (loss) on investments and other	79,477	302	79,175	26,216.9 %
Equity in earnings (losses) of unconsolidated ventures	15,843	(34,466)	50,309	(146.0)%
Income tax expense	(99)	(53)	(46)	86.8 %
Net income (loss)	$ 26,815	$ (264,238)	$ 291,053	(110.1)%

Resident Fee Income

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

	Year Ended December 31,		Increase (Decrease)	
	2021	2020	Amount	%
Same store ALF/MCF properties (excludes properties sold)	$ 40,668	$ 39,800	$ 868	2.2 %
Properties sold	65,287	78,326	(13,039)	(16.6)%
Total resident fee income	$ 105,955	$ 118,126	$ (12,171)	(10)%

Resident fee income decreased $12.2 million as a result of property sales in the year ended December 31, 2021. The Watermark Fountains portfolio sold in December 2021, the Kansas City portfolio in June 2021 and a property within the Aqua portfolio sold in March 2021.

Excluding properties sold, resident fee income increased $0.9 million primarily as a result of an increase in occupancy and rates at our Oak Cottage property.

Rental Income

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

	Year Ended December 31,		Increase (Decrease)	
	2021	2020	Amount	%
Same store ILF properties (excludes properties sold)	$ 122,614	$ 124,125	$ (1,511)	(1.2)%
Same store net lease properties (excludes properties sold)				
Rental payments	3,449	10,139	(6,690)	(66.0)%
Straight-line rental income (loss)	(7,350)	476	(7,826)	(1,644.1)%
Properties sold	18,609	22,284	(3,675)	(16.5)%
Total rental income	$ 137,322	$ 157,024	$ (19,702)	(12.5)%

Rental income decreased $19.7 million primarily due to the operator of our Arbors net lease portfolio not remitting full contractual rent during the year ended December 31, 2021, which also resulted in the write-off of straight-line rent receivables. Limited move-ins and elevated move-outs throughout the first half of 2021 resulted in lower average occupancy and rental income recognized by our ILFs. Additionally, the Watermark Fountains net lease portfolio was sold in December 2021 and recognized lower contractual rent in 2021 under the amended terms of the lease.

Other Revenue

Other revenue is primarily interest earned on uninvested cash, which has been impacted by declining market interest rates.

Interest Income on Debt Investments

During the year ended December 31, 2021, interest income generated by our mezzanine loan debt investment decreased as a result of receiving the full repayment of outstanding principal in August 2021. The borrower funded principal repayments through net proceeds generated from the sale of underlying collateral and available operating cash flow.

Property Operating Expenses

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

	Year Ended December 31,		Increase (Decrease)	
	2021	2020	Amount	%
Same store (excludes properties sold and COVID-19 related expenses)				
ALF/MCF properties	$ 30,384	$ 27,866	$ 2,518	9.0 %
ILF properties	89,970	83,172	6,798	8.2 %
Net lease properties	29	13	16	123.1 %
COVID-19 related expenses	2,528	5,725	(3,197)	(55.8)%
Properties sold	55,025	67,402	(12,377)	(18.4)%
Total Property operating expenses	$ 177,936	$ 184,178	$ (6,242)	(3.4)%

Overall, total operating expenses decreased $6.2 million primarily as a result of property sales in the year ended December 31, 2021. The Watermark Fountains portfolio sold in December 2021, the Kansas City portfolio in June 2021 and a property within the Aqua portfolio sold in March 2021. Additionally, COVID-19 related expenses were lower during the year ended December 31, 2021 as compared to 2020.

Excluding properties sold and COVID-19 related expenses, operating expenses increased $9.3 million, primarily as a result of our operators experiencing staffing challenges, which has increased salaries and wages due to additional overtime hours and use of agency and contract labor to fill open positions. In addition, the resumption of normalized business operations has allowed our operators to complete deferred repairs and maintenance projects.

Interest Expense

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

	Year Ended December 31,		Increase (Decrease)	
	2021	2020	Amount	%
Same store (excludes properties sold)				
ALF/MCF properties	$ 5,562	$ 5,688	$ (126)	(2.2)%
ILF properties	33,000	34,151	(1,151)	(3.4)%
Net lease properties	3,699	3,797	(98)	(2.6)%
Properties sold	18,618	21,406	(2,788)	(13.0)%
Corporate	741	949	(208)	(21.9)%
Total interest expense	$ 61,620	$ 65,991	$ (4,371)	(6.6)%

Interest expense decreased $4.4 million primarily as a result of the repayment of mortgage notes payable which were collateralized by properties sold during the year ended December 31, 2021. In addition, average mortgage notes principal balances decreased during the year ended December 31, 2021 due to continued principal amortization, while lower LIBOR has reduced interest expense on our floating-rate debt. Corporate interest expense represents interest resulting from the borrowings under our Sponsor Line, which was repaid in full in July 2021.

Asset Management 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 fees - related party decreased $6.1 million as a result of the estimated net asset value effective December 2020 decreasing from the previous estimated net asset value effective December 2019.

General and Administrative Expenses

General and administrative expenses decreased $3.8 million primarily as a result of amortizing our directors' and officers' insurance premium incurred and reimbursed to our Advisor over the term of the policy, beginning in December 2021. The policy premium was expensed as incurred by the Advisor during the year ended December 31, 2020. In addition, we incurred non-operating costs at a property within the Watermark 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)	
	2021	2020	Amount	%
Same store (excludes properties sold)				
ALF/MCF properties	$ 6,995	$ 7,443	$ (448)	(6.0)%
ILF properties	29,306	30,167	(861)	(2.9)%
Net lease properties	3,444	3,444	—	— %
Properties sold	15,091	23,952	(8,861)	(37.0)%
Total depreciation and amortization	$ 54,836	$ 65,006	$ (10,170)	(15.6)%

Depreciation and amortization expense decreased $10.2 million, primarily as a result of properties sold during the year ended December 31, 2021, as well as impairments recognized during the year ended December 31, 2020, which reduced building depreciation expense in 2021.

Impairment Loss

During the year ended December 31, 2021, impairment losses on operating real estate totaled $5.4 million, consisting of $4.6 million recognized for one facility within our Winterfell portfolio and $0.8 million for our Smyrna net lease property, which was sold in May 2021.

During the year ended December 31, 2020, impairment losses totaling $166.0 million were recorded, consisting of $84.9 million recognized for nine facilities within our Winterfell portfolio, $4.2 million for a facility within the Avamere portfolio, $12.5 million for two facilities within the Rochester portfolio and $64.4 million for properties that were sold in 2021.

Other Income, Net

Other income, net for the year ended December 31, 2021 consisted of $7.7 million in federal COVID-19 provider relief grants from HHS, partially offset by a $0.5 million non-operating loss recognized at a property within the Watermark Fountains portfolio. During the year ended December 31, 2020, $1.8 million in federal COVID-19 provider relief grants from HHS were received and recognized.

Realized Gain (Loss) on Investments and Other

Real estate property sales during the year ended December 31, 2021 resulted in net realized gains, which totaled $84.0 million and were partially offset by debt extinguishment losses, which totaled $8.7 million. In addition, we recognized gains on distributions that exceeded our carrying value for our investments in the Espresso and Envoy joint ventures, which totaled $4.4 million.

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.

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,	
	2021	2020	2021	2020	2021	2020			2021	2020
Portfolio	Equity in Earnings (Losses)		FFO and MFFO adjustments[1]		Equity in Earnings, after FFO and MFFO adjustments		Increase (Decrease)		Cash Distributions	
Eclipse	$ 2,130	$ (3,774)	$ (1,563)	$ 4,769	$ 567	$ 995	$ (428)	(43.0)%	$ 2,898	$ 86
Envoy	740	(7)	(744)	—	(4)	(7)	3	(42.9)%	817	390
Diversified US/UK	(3,676)	(35,396)	17,441	47,177	13,765	11,781	1,984	16.8 %	4,257	1,487
Espresso	19,619	270	(9,690)	9,415	9,929	9,685	244	2.5 %	5,500	—
Trilogy	(2,891)	4,495	15,033	13,617	12,142	18,112	(5,970)	(33.0)%	4,638	3,960
Subtotal	$ 15,922	$ (34,412)	$ 20,477	$ 74,978	$ 36,399	$ 40,566	$ (4,167)	(10.3)%	$ 18,110	$ 5,923
Solstice	(79)	(54)	2	—	(77)	(54)	(23)	42.6 %	—	—
Total	$ 15,843	$ (34,466)	$ 20,479	$ 74,978	$ 36,322	$ 40,512	$ (4,190)	(10.3)%	$ 18,110	$ 5,923

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

We recognized equity in earnings from our investments in unconsolidated investments during the year ended December 31, 2021, primarily due to realized gains on property sales in the Eclipse and Espresso joint ventures, as compared to losses recognized during the year ended December 31, 2020 primarily due to real estate impairments recorded by the Diversified US/UK, Trilogy and Eclipse joint ventures.

Equity in earnings, after FFO and MFFO adjustments, decreased by $4.2 million as a result of lower COVID-19 provider relief grants received and recognized by the Trilogy joint venture, partially offset by lower tax expense recognized in the Diversified US/UK portfolio for the year ended December 31, 2021.

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				
Property 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	$ 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. The effects of the COVID-19 pandemic resulted in limited inquiries and tours, which significantly decreased the number of move-ins at our facilities, and increased the number of move-outs during 2020.

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 (excludes properties sold)				
ILF properties	$ 124,125	$ 127,660	$ (3,535)	(2.8)%
Net lease properties	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 significantly decreased the number of move-ins at our facilities, and increased the number of move-outs in 2020.

Effective June 1, 2020, we granted a lease concession to the operator of the Watermark 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 repaid over the 12 months following the concession period. The amount of the deferred rental payments under the lease concession totaled $3.9 million. 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

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

Property 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 (excludes COVID-19 related expenses)				
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 Property 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 was 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 were 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. 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 (excludes properties sold)				
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 during the year ended December 31, 2020 as a result of lower average mortgage notes principal balances due to continued principal amortization and loan payoffs. In addition, lower LIBOR reduced interest expense

on our floating rate debt. For the year ended December 31, 2020, corporate interest expense represents interest resulting from the borrowings under our Sponsor Line.

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 Watermark 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 (excludes properties sold)				
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. In addition, impairment losses recognized reduced depreciation expense during the year ended December 31, 2020.

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.

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 includes $1.8 million in federal COVID-19 provider relief grants from HHS. These grants were 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 totaled $6.3 million and were primarily related to the sale of two net lease properties and two condominiums units for which we held future interests in the Watermark 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)		FFO and MFFO adjustments[1]		Equity in Earnings, after FFO and MFFO adjustments		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	(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
Solstice	(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.

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, primarily due to real estate impairments recorded by the Diversified US/UK, Eclipse and Trilogy joint ventures.

Equity in earnings, after FFO and MFFO adjustments, 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. 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 and Eclipse joint ventures, as a result of the effects of COVID-19, partially offset the increase.

Non-GAAP Financial Measures

Funds from Operations and Modified Funds from Operations

We believe that Funds from Operations, or FFO, and Modified Funds from Operations, or 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. 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. 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,		
	2021	2020	2019
Funds from operations:			
Net income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	$ 25,067	$ (261,458)	$ (76,960)
Adjustments:			
Depreciation and amortization	54,836	65,006	70,989
Depreciation and amortization related to non-controlling interests	(480)	(647)	(635)
Depreciation and amortization related to unconsolidated ventures	30,054	31,999	31,892
Realized (gain) loss from sales of property	(83,873)	—	(6,104)
Realized gain (loss) from sales of property related to non-controlling interests	2,092	—	—
Realized (gain) loss from sales of property related to unconsolidated ventures	(31,314)	(320)	(4,065)
Impairment losses of depreciable real estate	5,386	165,968	27,554
Impairment loss on real estate related to non-controlling interests	—	(2,253)	(585)
Impairment losses of depreciable real estate held by unconsolidated ventures	1,494	37,893	2,663
Funds from operations attributable to NorthStar Healthcare Income, Inc. common stockholders	$ 3,262	$ 36,188	$ 44,749
Modified funds from operations:			
Funds from operations attributable to NorthStar Healthcare Income, Inc. common stockholders	$ 3,262	$ 36,188	$ 44,749
Adjustments:			
Transaction costs	54	65	122
Straight-line rental (income) loss	7,803	441	(467)
Amortization of premiums, discounts and fees on investments and borrowings	4,177	4,975	4,914
Realized (gain) loss on investments and other	4,396	(302)	(679)
Adjustments related to unconsolidated ventures[1]	20,245	5,406	10,075
Adjustments related to non-controlling interests	(212)	(48)	(25)
Modified funds from operations attributable to NorthStar Healthcare Income, Inc. common stockholders	$ 39,725	$ 46,725	$ 58,689

(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) operating expenses; (ii) principal and interest payments on our borrowings and other commitments; and (iii) capital expenditures, 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) proceeds from full or partial realization of investments; (iii) cash flow generated by our investments, both from our operating activities and distributions from our unconsolidated joint ventures; and (iv) secured or unsecured financings from banks and other lenders, including investment-level financing and/or a corporate credit facility.

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 and capital expenditures and are used to pay corporate general and administrative expenses.

As of March 17, 2022, we had approximately $191.1 million of unrestricted cash and currently believe that our capital resources are sufficient to meet our capital needs for the following 12 months. Liquidity has improved during the year ended December 31, 2021, as a result of proceeds received from both consolidated and unconsolidated investment portfolio sales and the full collection of the principal outstanding on our Espresso mezzanine loan debt investment.

While we have the ability to meet our near-term liquidity needs, an extended recovery period from the effects of COVID-19 increases the risk of a prolonged negative impact on our financial condition and results of operations.

Our board of directors determined to suspend distributions in order to preserve capital and liquidity in February 2019. Our board of directors continues to evaluate our distribution policy on a recurring basis, and more frequently as facts and circumstances warrant. While we do not anticipate recurring dividends in the near future, in light of the cash flow generated by our investments as compared to our capital expenditure needs and debt service obligations, our board will evaluate special distributions in connection with asset sales and other realization of our investments on a case-by-case basis based on, among other factors, current and projected liquidity needs, opportunities for investment in our assets (such as capital expenditure and de-levering opportunities) and other strategic initiatives.

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 and rental income from our net lease properties, in addition to receiving distributions from our investments in unconsolidated ventures. Net cash used in operating activities was $6.4 million for the year ended December 31, 2021. During the year ended December 31, 2021, debt service payments on our borrowings exceeded our cash flow from operations. We have utilized proceeds from asset sales and repayments on our mezzanine loan to fund debt service payments, which is expected to continue until occupancy and revenues of our direct investments improve from current levels.

A substantial majority of our direct investments are operating properties whereby we are directly exposed to various operational risks. While our direct operating investments have not experienced any significant issues collecting rents or other fees from residents as a result of COVID-19, cash flow has 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. We expect that these factors will continue to materially impact our revenues, expenses and cash flow generated by the communities of our direct operating investments.

For our net lease investment, the operator of our Arbors portfolio has been impacted by the same COVID-19 factors discussed above, which has and will continue to affect its ability and willingness to pay rent. As of March 17, 2022, the operator has satisfied its contractual rent obligations through May 2021 and continues to make partial rental payments based on availability of cash and liquidity. The operator has applied for and benefited from federal relief assistance, however, the operator's ability to pay rent in the future is currently unknown. Numerous state, local, federal and industry-initiated efforts have also affected or may affect the landlord and its ability to collect rent and/or enforce remedies for the failure to pay rent.

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, 2021, our unconsolidated joint ventures and consolidated joint ventures represented 40.3% and 12.3%, respectively, of our total real estate equity investments, based on cost. Our unconsolidated joint ventures, which have been similarly impacted by COVID-19 as our direct investments, are likely to continue to limit distributions to preserve liquidity.

Borrowings

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.

We are required to make recurring principal and interest payments on our borrowings. As of December 31, 2021, we had $943.8 million of consolidated asset-level borrowings outstanding and paid $92.8 million in recurring principal and interest payments on borrowings during the year ended December 31, 2021. Our unconsolidated joint ventures also have significant asset level borrowings, which may require capital to be funded if favorable refinancing is not obtained.

During the year, the operator for the Arbors portfolio failed to remit contractual rent and satisfy other conditions under its leases, which resulted in a defaults under the operator's leases, and in turn, resulted in a non-monetary default under the mortgage notes collateralized by the properties as of December 31, 2021. We have remitted contractual debt service and are in compliance with the other contractual terms under the mortgage notes collateralized by the properties.

As the impact of COVID-19 continues to influence our investments' performance, we may experience defaults in the future and it may have a negative impact on our ability to service or refinance our borrowings.

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, 2021, our leverage was 53.6% of our assets, other than intangibles, before deducting loan loss reserves, other non-cash reserves and depreciation. As of December 31, 2021, 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 59.5%.

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 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, functional and operating standards, 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.

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 will actively pursue dispositions of assets and portfolios where we believe the disposition will achieve a desired return, improve our liquidity position and generate value for shareholders. We have made significant investments through both consolidated and unconsolidated joint ventures with third parties. We may share decision-making authority for these joint ventures that could prevent us from selling properties or our interest in the joint venture. Further, as the impact of COVID-19 continues to influence the property's performance, it may have a negative impact on our ability to generate desired returns on dispositions.

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 net operating losses for tax purposes and, accordingly, are currently not required to make distributions to our stockholders to qualify as a REIT. Refer to "—Distributions Declared and Paid" for further information regarding our historical distributions.

Repurchases

We adopted a share repurchase program, or the Share Repurchase Program, effective August 7, 2012, which enabled stockholders to sell their shares to us in limited circumstances. Our board of directors may amend, suspend or terminate our Share Repurchase Program at any time, subject to certain notice requirements. 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. On April 7, 2020, our board of directors suspended all repurchases under our existing Share Repurchase Program effective April 30, 2020 in order to preserve capital and liquidity.

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 2021, our advisory agreement was amended and renewed for an additional one-year term commencing on June 30, 2021. In connection with the Sponsor Transaction, our advisory agreement was renewed for an additional one-year term commencing on February 28, 2022. 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):	**2021**	**2020**	**2019**	**2021 vs. 2020 Change**	**2020 vs. 2019 Change**
Operating activities	$ (6,438)	$ 31,018	$ 25,298	$ (37,456)	$ 5,720
Investing activities	661,826	(8,415)	(4,287)	670,241	(4,128)
Financing activities	(538,020)	12,147	(56,699)	(550,167)	68,846
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 117,368	$ 34,750	$ (35,688)	$ 82,618	$ 70,438

Year Ended December 31, 2021 compared to December 31, 2020

Operating Activities

Net cash used in operating activities totaled $6.4 million for the year ended December 31, 2021, as compared to $31.0 million net cash provided by operating activities for the year ended December 31, 2020. The change in cash flow from operating activities was a result of the following:

- declines in average occupancy, which resulted in lower rent and resident fees collected;
- less contractual rent collected from direct net lease investment operators; and
- higher payments for property operating expenses, general and administrative expenses and mortgage payable interest, as a result of debt service that was deferred during the year ended December 31, 2020.

Investing Activities

Our cash flows from investing activities are primarily proceeds from investment dispositions, net of any capital expenditures. Net cash provided by investing activities was $661.8 million for the year ended December 31, 2021 as compared to $8.4 million net cash used for the year ended December 31, 2020. Cash flows provided by investing activities for the year ended December 31, 2021 were from property sales and principal repayments on our real estate debt investment. Cash inflows were used to fund recurring capital expenditures for existing investments and for general operations. Cash flows used in investing activities for the year ended December 31, 2020 were primarily recurring capital expenditures for existing investments.

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

	Year Ended December 31,		
	2021	**2020**	**2021 vs. 2020 Change**
Capital Expenditures	$ 27,773	$ 15,214	$ 12,559

Recurring capital expenditures have increased during the year ended December 31, 2021, as compared to the year ended December 31, 2020 as a result of the resumption of normalized business operations allowing our operators to complete deferred capital improvements.

Financing Activities

For the year ended December 31, 2021, net cash flows used in financing activities were primarily the repayment of mortgage notes payable collateralized by properties sold during the year, the repayment of the borrowings under the Sponsor Line and continued principal amortization on our mortgage notes. Cash outflows were partially offset by the refinancing of a mortgage note payable for a property within our Aqua portfolio, which generated $6.5 million in net proceeds. Cash flows used in financing activities was $538.0 million for the year ended December 31, 2021 compared to $12.1 million cash flows provided by financing activities for the year ended December 31, 2020. Cash flows provided by financing activities during the year ended December 31, 2020, were primarily the $35.0 million borrowed under the Sponsor Line, partially offset by principal amortization payments on mortgage notes and repurchases of shares under our Share Repurchase Program.

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

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 from our unconsolidated joint ventures. Cash flows used in investing activities for the year ended December 31, 2019 consisted primarily of an equity contribution to our unconsolidated investment in the Diversified US/UK joint venture, partially offset by the net proceeds generated from the sale of two net lease properties and distributions received from unconsolidated investments.

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

	Year Ended December 31,		
Capital Expenditures	**2020**	**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 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 repurchases of common stock and repayments on our mortgage notes. 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 common stock and the repayment of a mortgage note payable upon the sale of two net lease properties were the primary drivers of financing cash flows.

Contractual Obligations and Commitments

The following table presents contractual obligations and commitments as of December 31, 2021 (dollars in thousands):

	Payments Due by Period				
		2022	2023 - 2024	2025 - 2026	2027 and Thereafter
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Mortgage and notes other payables[1]	$ 943,765	$ 29,495	$ 41,007	$ 718,226	$ 155,037
Estimated interest payments[2]	136,888	37,424	71,829	25,581	2,054
Advisor asset management fee[3]	67,500	11,250	22,500	22,500	11,250
Total[4]	$ 1,148,153	$ 78,169	$ 135,336	$ 766,307	$ 168,341

(1) Represents amortization of principal and repayment upon contractual initial maturity date.
(2) Estimated interest payments are based on the remaining life of the borrowings. Applicable LIBOR rate, plus the respective spread as of December 31, 2021 was used to estimate payments for our floating-rate borrowings.
(3) Our advisory agreement 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. Refer to "—Related Party Arrangements" for additional information on our Advisor asset management fee.
(4) Excludes construction related and other commitments for future development.

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, 2021, 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 I. Item 1. "Financial Statements" 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 suspended distributions in order to preserve capital and liquidity.

Since inception of our first investment, we declared $433.8 million in distributions and generated cumulative FFO of $131.9 million. We did not declare any distributions during the year ended December 31, 2021 or year ended December 31, 2020.

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 2021, our advisory agreement was renewed for an additional one-year term commencing on June 30, 2021, with terms identical to those in effect through June 30, 2021, but for the following modifications:

- the payment of the asset management fee entirely in the form of our shares of common stock; and
- effective January 1, 2022, a reduction of the asset management fee with respect to our corporate cash balance exceeding $75.0 million, subject to the terms and conditions set forth in the advisory agreement.

In connection with the Sponsor Transaction, our advisory agreement was renewed for an additional one-year term commencing on February 28, 2022, upon terms identical to those in effect through February 28, 2022, but for certain updates to remove our Former Sponsor and add NRF as our New Sponsor for certain limited provisions.

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. Effective July 1, 2021, the asset management fee is paid entirely in shares of our common stock at a price per share equal to the most recently published net asset value per share, and effective January 1, 2022, the fee will be reduced if our corporate cash balances exceed $75.0 million, subject to the terms and conditions set forth in the advisory agreement.

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, 2021, 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

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 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 table presents 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, 2020	Year Ended December 31, 2021		Due to Related Party as of December 31, 2021
			Incurred	Paid	
Fees to Advisor Entities					
Asset management[1]	Asset management fees-related party	$ 923	$ 11,105	$ (11,091) [1]	$ 937
Reimbursements to Advisor Entities					
Operating costs[2]	General and administrative expenses	7,395	14,035	(15,029)	6,401
Total		$ 8,318	$ 25,140	$ (26,120)	$ 7,338

(1) Includes $10.6 million paid in shares of our common stock.
(2) As of December 31, 2021, our Advisor did not have any unreimbursed operating costs which remained eligible to be allocated to us. For the year ended December 31, 2021, total operating expenses included in the 2%/25% Guidelines represented 0.5% of average invested assets and 103.4% of net income 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, 2021, we did not incur any offering costs.

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 had 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.

Pursuant to our advisory agreement, for the year ended December 31, 2021, we issued 2.7 million shares totaling $10.6 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, 2021, our Advisor, our Sponsor and their affiliates owned a total of 7.4 million shares, or $29.0 million of our common stock based on our most recent estimated value per share. As of December 31, 2021, our Advisor, our Sponsor and their affiliates owned 3.8% 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, 2021, we recognized property management fee expense of $4.9 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 I, Item 1. “Financial Statements” for further discussion of these investments:

Portfolio	Partner(s)	Acquisition Date	Ownership
Eclipse	NRF/ Formation Capital, LLC	May 2014	5.6%
Diversified US/UK	NRF	December 2014	14.3%

In addition, we own a 23.2% interest in the Trilogy joint venture, of which AHR and the management of Trilogy own the remaining 76.8% of the portfolio. Our Former Sponsor owns a passive, non-controlling interest in AHR, which was formed by the combination of Griffin American Healthcare REIT III, Inc., American Healthcare Investors, LLC and Griffin-American Healthcare REIT IV, Inc.

Mezzanine Loan

In July 2015, we originated a $75.0 million mezzanine loan to a subsidiary of the Espresso joint venture, of which we own a minority interest. In August 2021, the outstanding principal balance of the mezzanine loan was repaid in full. Refer to "—Business Update" for further detail.

Line of Credit - Related Party

In October 2017, we obtained our Sponsor Line, which was approved by our board of directors, including all of our independent directors. In April 2020, we borrowed $35.0 million under the Sponsor Line to improve our liquidity position in response to the COVID-19 pandemic. In July 2021, we repaid, in full, the $35.0 million outstanding borrowings under our Sponsor Line. Our Sponsor Line has a borrowing capacity of $35.0 million at an interest rate of 3.5% plus LIBOR and has a maturity date of February 2024.

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, 2021, 13.9% of our total borrowings were floating-rate liabilities, which are related to mortgage notes payable of our direct operating investments.

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, 2021, a hypothetical 100 basis point increase in interest rates would increase net interest expense by $1.3 million annually.

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. The FCA subsequently announced on March 5, 2021 that the publication of LIBOR will cease for the one-week and two-month USD LIBOR settings immediately after December 31, 2021, and the remaining USD LIBOR settings immediately after June 30, 2023. Based on undertakings received from the panel banks, the FCA does not expect that any LIBOR settings will become unrepresentative before these dates. Nevertheless, the U.S. Federal Reserve System, Office of the Comptroller of the Currency, and Federal Deposit Insurance Corporation have issued guidance encouraging market participants to adopt alternatives to LIBOR in new contracts as soon as practicable.

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.

Risk Concentration

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

	As of December 31, 2021		Year Ended December 31, 2021	
Operator / Manager	**Properties Under Management**	**Units Under Management[1]**	**Property and Other Revenues[2]**	**% of Total Property and Other Revenues**
Solstice Senior Living [3]	32	4,000	$ 98,977	40.7 %
Watermark Retirement Communities	14	1,753	42,447	17.4 %
Avamere Health Services	5	453	17,301	7.1 %
Integral Senior Living	1	44	4,556	1.9 %
Arcadia Management [4]	4	572	(3,900)	(1.6)%
Subtotal	56	6,822	$ 159,381	65.5 %
Properties sold	17	3,630	83,896	34.5 %
Total			$ 243,277	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) During the year ended December 31, 2021, the Company recorded rental income to the extent rental payments were received. Rental income was reduced by $7.4 million for the write-off of straight-line rent receivables, as full collection of contractual rent under the leases was deemed not to be probable.

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.

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, 2021 and 2020, the related consolidated statements of comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2021, 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, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, 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 ("Diversified US/UK"), a joint venture, which is accounted for under the equity method of accounting. The equity in its net loss was $3.7 million, $35.4 million and $4.5 million of consolidated equity in earnings (losses) of unconsolidated ventures for the years ended December 31, 2021, 2020, and 2019 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 Diversified US/UK, 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 matter communicated below is a matter 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) related 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 matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

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 $972.6 million as of December 31, 2021 including impairment losses related to operating real estate assets of $5.4 million recorded during the year ended December 31, 2021. 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.

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.

/s/ GRANT THORNTON LLP

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

New York, New York

March 18, 2022

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, 2021, the related consolidated statement of operations, comprehensive income (loss), changes in partners' equity, and cash flows for the year ended December 31, 2021, 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, 2021, and the results of its operations and its cash flows for the year ended December 31, 2021, 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., has been subjected to audit procedures performed in conjunction with the audit of the Partnership's consolidated 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 and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. Our audit procedures included determining whether the information reconciles to the consolidated financial statements or the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, as applicable, and other additional procedures including to test the completeness and accuracy of the information in accordance with auditing standards generally accepted in the United States. 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 Matter

The critical audit matter communicated below is a matter 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	At December 31, 2021, the Partnership's real estate assets classified as held for investment totaled $2.5 billion. As more fully disclosed in Notes 2 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. 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	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 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.

/s/ Ernst & Young LLP

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

Los Angeles, California

March 17, 2022

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 matter 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

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

	December 31, 2021	December 31, 2020
Assets		
Cash and cash equivalents	$ 200,473	$ 65,995
Restricted cash	10,465	27,575
Operating real estate, net	972,599	1,483,930
Investments in unconsolidated ventures	212,309	229,173
Real estate debt investment, net	—	55,864
Assets held for sale	—	5,000
Receivables, net	3,666	14,735
Goodwill and intangible assets, net	2,590	26,483
Other assets	10,771	9,681
Total assets[(1)]	$ 1,412,873	$ 1,918,436
Liabilities		
Mortgage and other notes payable, net	$ 929,811	$ 1,416,871
Line of credit - related party	—	35,000
Due to related party	7,338	8,318
Escrow deposits payable	1,171	3,851
Accounts payable and accrued expenses	24,671	38,393
Other liabilities	3,064	3,941
Total liabilities[(1)]	966,055	1,506,374
Commitments and contingencies (Note 13)		
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, 2021 and 2020	—	—
Common stock, $0.01 par value, 400,000,000 shares authorized, 193,120,940 and 190,409,341 shares issued and outstanding as of December 31, 2021 and 2020, respectively	1,930	1,904
Additional paid-in capital	1,720,719	1,710,023
Retained earnings (accumulated deficit)	(1,277,688)	(1,302,755)
Accumulated other comprehensive income (loss)	(486)	467
Total NorthStar Healthcare Income, Inc. stockholders' equity	444,475	409,639
Non-controlling interests	2,343	2,423
Total equity	446,818	412,062
Total liabilities and equity	$ 1,412,873	$ 1,918,436

(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 NorthStar Healthcare Income, Inc. (together with its consolidated subsidiaries, the "Company") is the sole general partner and owns approximately 99.99%. As of December 31, 2021, the Operating Partnership includes $238.9 million and $183.6 million 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,		
	2021	2020	2019
Property and other revenues			
Resident fee income	$ 105,955	$ 118,126	$ 130,135
Rental income	137,322	157,024	161,084
Other revenue	—	198	1,959
Total property and other revenues	243,277	275,348	293,178
Interest income			
Interest income on debt investments	4,667	7,674	7,703
Expenses			
Property operating expenses	177,936	184,178	181,214
Interest expense	61,620	65,991	68,896
Transaction costs	54	65	122
Asset management fees - related party	11,105	17,170	19,789
General and administrative expenses	12,691	16,505	12,761
Depreciation and amortization	54,836	65,006	70,989
Impairment loss	5,386	165,968	27,554
Total expenses	323,628	514,883	381,325
Other income (loss)			
Other income, net	7,278	1,840	—
Realized gain (loss) on investments and other	79,477	302	6,314
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax expense	11,071	(229,719)	(74,130)
Equity in earnings (losses) of unconsolidated ventures	15,843	(34,466)	(3,545)
Income tax expense	(99)	(53)	(75)
Net income (loss)	26,815	(264,238)	(77,750)
Net (income) loss attributable to non-controlling interests	(1,748)	2,780	790
Net income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	$ 25,067	$ (261,458)	$ (76,960)
Net income (loss) per share of common stock, basic/diluted	$ 0.13	$ (1.38)	$ (0.41)
Weighted average number of shares of common stock outstanding, basic/diluted [1]	191,629,613	189,573,204	189,054,270
Distributions declared per share of common stock	$ —	$ —	$ 0.03

(1) The Company has issued 66,840 restricted stock units during the year ended December 31, 2021. The impact of the restricted stock units on the diluted earnings per share calculation is de minimis for the year ended December 31, 2021.

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,		
	2021	**2020**	**2019**
Net income (loss)	$ 26,815	$ (264,238)	$ (77,750)
Other comprehensive income (loss)			
Foreign currency translation adjustments related to investment in unconsolidated venture	(953)	937	1,814
Total other comprehensive income (loss)	(953)	937	1,814
Comprehensive income (loss)	25,862	(263,301)	(75,936)
Comprehensive (income) loss attributable to non-controlling interests	(1,748)	2,780	790
Comprehensive income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	$ 24,114	$ (260,521)	$ (75,146)

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY (Continued)
(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, 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
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
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
Share-based payment of advisor asset management fees	2,712	26	10,531	—	—	10,557	—	10,557
Amortization of equity-based compensation	—	—	165	—	—	165	—	165
Non-controlling interests - contributions	—	—	—	—	—	—	724	724
Non-controlling interests - distributions	—	—	—	—	—	—	(2,552)	(2,552)
Other comprehensive income (loss)	—	—	—	—	(953)	(953)	—	(953)
Net income (loss)	—	—	—	25,067	—	25,067	1,748	26,815
Balance as of December 31, 2021	193,121	$ 1,930	$ 1,720,719	$ (1,277,688)	$ (486)	$ 444,475	$ 2,343	$ 446,818

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,		
	2021	2020	2019
Cash flows from operating activities:			
Net income (loss)	$ 26,815	$ (264,238)	$ (77,750)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:			
Equity in (earnings) losses of unconsolidated ventures	(15,843)	34,466	3,545
Depreciation and amortization	54,836	65,006	70,989
Impairment loss	5,386	165,968	27,554
Capitalized interest for mortgage and other notes payable	—	222	193
Amortization of below market debt	3,169	3,090	3,015
Straight-line rental (income) loss, net	7,803	441	(467)
Amortization of discount/accretion of premium on investments	(697)	(125)	(113)
Amortization of deferred financing costs	1,662	1,887	1,850
Amortization of equity-based compensation	165	169	239
Paid-in-kind interest on real estate debt investment	(194)	—	—
Realized (gain) loss on investments and other	(79,477)	(302)	(6,314)
Change in allowance for uncollectible accounts	176	2,371	801
Issuance of common stock as payment for asset management fees	10,557	9,685	9,899
Changes in assets and liabilities:			
Receivables	1,756	(4,233)	691
Other assets	(1,287)	4,859	(629)
Due to related party	(985)	2,853	204
Escrow deposits payable	(2,680)	559	(1,087)
Accounts payable and accrued expenses	(17,346)	8,479	(6,647)
Other liabilities	(254)	(139)	(675)
Net cash (used in) provided by operating activities	(6,438)	31,018	25,298
Cash flows from investing activities:			
Capital expenditures for operating real estate	(27,773)	(15,214)	(22,323)
Sales of operating real estate	596,414	927	19,618
Repayment of real estate debt investment	74,376	—	818
Investments in unconsolidated ventures	(400)	—	(39,801)
Distributions from unconsolidated ventures	18,110	5,923	35,922
Real estate debt investment modification fee	686	—	—
Other assets	413	(51)	1,479
Net cash provided by (used in) investing activities	661,826	(8,415)	(4,287)
Cash flows from financing activities:			
Borrowings from mortgage notes	26,000	—	12,800
Repayments of mortgage notes	(517,618)	(20,250)	(51,734)
Borrowings from line of credit - related party	—	35,000	—
Repayment of borrowings from line of credit - related party	(35,000)	—	—
Payment of deferred financing costs	(708)	—	(708)
Debt extinguishment costs	(8,288)	—	—
Payments under finance leases	(578)	(608)	(585)
Shares redeemed for cash	—	(2,078)	(10,746)
Distributions paid on common stock	—	—	(10,813)
Proceeds from distribution reinvestment plan	—	—	4,876
Contributions from non-controlling interests	724	234	505
Distributions to non-controlling interests	(2,552)	(151)	(294)
Net cash (used in) provided by financing activities	(538,020)	12,147	(56,699)
Net increase (decrease) in cash, cash equivalents and restricted cash	117,368	34,750	(35,688)
Cash, cash equivalents and restricted cash-beginning of period	93,570	58,820	94,508
Cash, cash equivalents and restricted cash-end of period	$ 210,938	$ 93,570	$ 58,820

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

	Year Ended December 31,		
	2021	2020	2019
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 65,828	$ 53,140	$ 64,163
Cash paid for income taxes	100	10	28
Supplemental disclosure of non-cash investing and financing activities:			
Accrued capital expenditures	$ 3,624	1,779	2,378
Assets acquired under finance leases	144	112	—
Assets acquired under operating leases	100	—	—
Reclassification of assets held for sale	—	5,000	—

Refer to accompanying notes to consolidated financial statements.

1. Business and Organization

NorthStar Healthcare Income, Inc., together with its consolidated subsidiaries (the "Company"), manages a diversified portfolio of investments in healthcare real estate, owned 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 facilities ("ILF") and continuing care retirement communities ("CCRC"), which have independent living, assisted living, skilled nursing and memory care available on one campus. Primarily through joint ventures, the Company is also invested 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 through its joint ventures also has international investments in the United Kingdom.

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 has conducted its operations, and intends to do so in the future, 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, 2021 and 2020. 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, 2021, 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. On February 28, 2022, the Company's former Sponsor, DigitalBridge Group, Inc. (NYSE: DBRG) (the "Former Sponsor"), completed the previously announced disposition of its wellness infrastructure platform (the "Sponsor Transaction"). Following completion of the Sponsor Transaction, NRF Holdco, LLC ("NRF" or the "New Sponsor") (and together with the Company's Former Sponsor, the Company's Sponsor as the context requires), owns the Company's advisor, CNI NSHC Advisors, LLC (the "Advisor"), as well as its own diversified portfolio of medical office buildings, senior housing facilities, skilled nursing facilities and specialty hospitals. NRF is wholly owned by CWP Bidco LP, an entity affiliated with Highgate, a privately held real estate investment and hospitality management company, and Aurora Health Network LLC, a privately held healthcare-focused investment firm. In addition, upon completion of the Sponsor Transaction, employees of the Company's Former Sponsor focused on the wellness infrastructure platform became employees of the Company's New Sponsor. The Company's Advisor, now a subsidiary of the Company's New Sponsor, will continue to manage the Company's day-to-day operations pursuant to an advisory agreement.

From inception through December 31, 2021, the Company raised $2.0 billion in total gross proceeds from the sale of shares of common stock in its continuous, public offerings (the "Offering"), including $232.6 million pursuant to its distribution reinvestment plan (the "DRP").

Impact of COVID-19

The world continues to experience the broad effects of the coronavirus 2019 ("COVID-19") pandemic. Throughout the year ended December 31, 2021, the Company's healthcare real estate business and investments were challenged by declines in resident occupancy, lower labor force participation rates, which drove increased labor costs, and inflationary pressures on other operating expenses. These impacts of COVID-19 are expected to last, even as states and municipalities have eased and may further ease restrictions.

The continuing impact of the COVID-19 pandemic on the Company's operational and financial performance will depend on a variety of factors, which may differ considerably across regions and fluctuate over time. An extended recovery period increases

the risk of a prolonged negative impact on the Company's financial condition and results of operations. While the Company has the ability to meet its near term liquidity needs, general market concerns over credit and liquidity continue, and the effects of COVID-19 may also lead to heightened risk of litigation, with an ensuing increase in litigation and related costs.

At this time, the progression of the global economic recovery from the broad effects of COVID-19 remains difficult for the Company to assess and estimate the future impact of COVID-19 on the Company's results of operations. Accordingly, any estimates of the effects of COVID-19 as reflected 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 the economic recovery from COVID-19 and reassess its effects on the Company's results of operations and recoverability of 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").

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. During the year ended December 31, 2021, the Company determined that a reconsideration event for an unconsolidated VIE did not result in a change in the evaluation that the Company is not the primary beneficiary.

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, 2021, 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 sheet as of December 31, 2021 is $222.1 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, 2021 is $174.9 million, collateralized by the real estate assets of the related consolidated VIEs.

Unconsolidated VIEs

As of December 31, 2021, the Company identified unconsolidated VIEs related to its real estate equity investments with a carrying value of $212.3 million. The Company's maximum exposure to loss as of December 31, 2021 would not exceed the carrying value of its investment in 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, 2021. During the year ended December 31, 2021, the Company contributed $0.4 million to an unconsolidated VIE. As of December 31, 2021, 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.

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 residents 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):

	December 31,		
	2021	2020	2019
Cash and cash equivalents	$ 200,473	$ 65,995	$ 41,884
Restricted cash	10,465	27,575	16,936
Total cash, cash equivalents and restricted cash	$ 210,938	$ 93,570	$ 58,820

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 which are included in operating real estate, net on the Company's consolidated balance sheets. As of December 31, 2021 furniture, fixtures and equipment under finance leases totaled $2.5 million. The leased equipment is amortized on a straight-line basis. For the year ended December 31, 2021 and 2020, payments for finance leases totaled $0.7 million, respectively, including assets that were disposed of through portfolio sales.

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:		
2022	$	473
2023		93
2024		60
2025		29
2026		23
Thereafter		27
Total minimum lease payments	$	705
Less: Amount representing interest		(46)
Present value of minimum lease payments	$	659

The weighted average interest rate related to the finance lease obligations is 6.2% with a weighted average lease term of 2.2 years.

As of December 31, 2021, 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, 2021, the Company did not have any 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, which were sold in June 2021.

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 "—Impairment on Operating Real Estate and Investments in Unconsolidated Ventures" 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 in the fourth quarter 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.

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, 2021	December 31, 2020
Goodwill and intangible assets, net:		
In-place lease value, net	$ 2,590	$ 4,635
Goodwill[1]	—	21,387
Certificate of need intangible assets[1]	—	380
Subtotal intangible assets	2,590	26,402
Deferred costs, net[1]	—	81
Total	$ 2,590	$ 26,483

(1) Balances as of December 31, 2020 pertain to properties sold in December 2021.

The Company recorded amortization expense for in-place leases and deferred costs of $1.4 million and $1.9 million for the year ended December 31, 2021 and 2020, respectively.

In-place lease value, net includes a gross asset amount of $120.1 million for in-place leases related to the Company's direct investment - net lease properties, of which $117.5 million has been amortized as of December 31, 2021. All other in-place leases related to the Company's direct investment - operating properties have been fully amortized as of December 31, 2021.

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

Years Ending December 31:	
2022	$ 337
2023	337
2024	337
2025	337
2026	337
Thereafter	905
Total	$ 2,590

Other Assets

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

	December 31, 2021	December 31, 2020
Other assets:		
Remainder interest in condominium units[1]	2,030	2,327
Prepaid expenses	4,948	3,798
Lease / rent inducements, net	3,209	2,246
Utility deposits	142	447
Other	442	863
Total	$ 10,771	$ 9,681

(1) 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 income 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 Company also generates revenue 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. Revenue derived from our ALFs, MCFs and CCRCs is recorded in resident fee income in the consolidated statements of operations.

Revenue 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 amounts collected, with the reversal of any revenue recognized to date in excess of amounts received. If collection is subsequently reassessed to be probable, revenue is adjusted to reflect the amount that would have been recognized had collection always been assessed as probable.

A summary of rental income recognized for the year ended December 31, 2021 for the Company's direct net lease properties is as follows:

- The operator of the Arbors portfolio failed to remit contractual monthly rent obligations and the Company deemed it not probable that these obligations will be satisfied in the future. Beginning in February 2021, the Company recorded rental income to the extent rental payments were received. In addition, rental income was reduced by $7.4 million for the write-off of straight-line rent receivables, as full collection of contractual rent under the leases was deemed not to be probable.
- In December 2021, the Company sold the Watermark Fountains net lease portfolio. The operator of the Watermark Fountains net lease portfolio remitted full contractual rent through the sale date. Effective April 15, 2021, the Company executed a lease modification that allowed the operator to defer up to $3.0 million of contractual rent payments over the remaining term of the lease, which was forgiven at the time of the sale. The Company recognized rental revenue on a straight-line basis based on the modified terms of the lease.

- The operator of the Smyrna property failed to remit rental payments and accordingly no lease income was recognized. The Smyrna property was sold in May 2021.

For the year ended December 31, 2021 and 2020, total property and other revenue includes variable lease revenue of $13.1 million and $14.4 million, respectively. Variable lease revenue includes ancillary services provided to operator/residents, as well as non-recurring services and fees at the Company's operating facilities.

The Company recognized grant income received from the Provider Relief Fund administered by the U.S. Department of Health and Human Services totaling $7.7 million and $1.8 million for the year ended December 31, 2021 and 2020, respectively. The grant income is classified as other income, net in the consolidated statements of operations. 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. Provided that the Company attests to and complies with certain terms and conditions of the grants, the Company will not be required to repay these grants in the future.

Lease Concessions Related to COVID-19

As a result of the COVID-19 pandemic, the Company engages 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 Watermark 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 lease concession period ended on August 31, 2020 and deferred rent was fully repaid as of September 2021. The Company sold the Watermark Fountains net lease portfolio in December 2021.

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 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, it is difficult for the Company to assess and estimate the future economic effects of COVID-19 with any meaningful precision. As the future 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, 2021, the Company recorded impairment losses totaling $5.4 million on operating real estate, consisting of $4.6 million recognized for one facility within the Winterfell portfolio, as a result of lower estimated future cash flows and market value and $0.8 million for its Smyrna net lease property, which was sold in May 2021. 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.

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.

The Company did not impair any of its investments in unconsolidated ventures during the years ended December 31, 2021 and 2020. The underlying joint ventures recorded impairments and reserves on properties in their respective portfolios, which the Company recognized through equity in earnings (losses), of which the Company's proportionate share totaled $1.8 million and $38.2 million for the years ended December 31, 2021 and 2020, respectively.

Credit Losses on Real Estate Debt Investments and Receivables

The current expected credit loss 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, 2021, the Company has not recorded an allowance for credit losses on its Financial Assets.

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. 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. 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.

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 2018 to 2021, 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, 2021 totaled $13.1 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 $99,000, $53,000 and $75,000 for the years ended December 31, 2021, 2020 and 2019, respectively.

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.

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, 2021 and 2020, 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.

Recent Accounting Pronouncements

Accounting Standards Adopted in 2021

Income Tax Accounting—In December 2019, the FASB issued Accounting Standards Update ("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 Accounting Standards Codification ("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. The Company adopted ASU No. 2019-12 on January 1, 2021, with no transitional impact upon adoption.

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, 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. The Company adopted ASU No. 2020-01 on January 1, 2021, with no transitional impact upon adoption.

Future Application of Accounting Standards

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.

In January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848): Scope*. The guidance amends the scope of the recent reference rate reform guidance issued in ASU No. 2020-04. New optional expedients allow derivative instruments impacted by changes in the interest rate used for margining, discounting, or contract price alignment to qualify for certain optional relief. The guidance was effective immediately 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.

Certain Leases with Variable Lease Payments— In July 2021, the FASB issued ASU No. 2021-05, *Leases (Topic 842): Lessors —Certain Leases with Variable Lease Payments*. The guidance in ASU 2021-05 amends the lease classification requirements for the lessors under certain leases containing variable payments to align with practice under ASC 840. Under the guidance, the lessor should classify and account for a lease with variable lease payments that do not depend on a reference index or a rate as an operating lease if both of the following criteria are met: 1) the lease would have been classified as a sales-type lease or a direct financing lease in accordance with the classification criteria in ASC 842-10-25-2 through 25-3; and 2) the lessor would have otherwise recognized a day-one loss. The amendments in ASU 2021-05 are effective for fiscal years beginning after December 15, 2021 and are not expected to have a significant impact on the Company's consolidated financial statements.

Disclosures by Business Entities about Government Assistance— In November 2021, the FASB issued ASU No. 2021-10: *Disclosures by Business Entities about Government Assistance.* The guidance requires expanded disclosure for transactions involving the receipt of government assistance. Required disclosures include a description of the nature of transactions with government entities, accounting policies for such transactions and their impact to the Company's consolidated financial statements. The guidance is effective beginning January 1, 2022 and is not expected to have a significant impact on the Company's consolidated financial statements.

3. Operating Real Estate

The following table presents operating real estate, net (dollars in thousands):

	December 31, 2021	December 31, 2020
Land	$ 121,518	$ 234,706
Land improvements	17,798	23,797
Buildings and improvements	965,630	1,389,706
Tenant improvements	—	16,172
Construction in progress	8,141	2,535
Furniture, fixtures and equipment	84,813	108,055
Subtotal	$ 1,197,900	$ 1,774,971
Less: Accumulated depreciation	(225,301)	(291,041)
Operating real estate, net	$ 972,599	$ 1,483,930

For the years ended December 31, 2021, 2020 and 2019 depreciation expense was $53.5 million, $63.1 million, and $62.8 million, respectively.

Within the table above, buildings and improvements have been reduced by accumulated impairment losses of $149.7 million and $213.9 million as of December 31, 2021 and December 31, 2020, respectively. Impairment loss, as presented on the consolidated statements of operations, totaled $5.4 million and $166.0 million for the years ended December 31, 2021 and 2020, respectively. Refer to Note 2, "Summary of Significant Accounting Policies" for further discussion.

During the year ended December 31, 2021, the Company completed property sales including its Watermark Fountains portfolios in December 2021, the Kansas City portfolio in June 2021 and a property within the Aqua portfolio in March 2021.

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, 2021 (dollars in thousands):

Years Ending December 31:[1]	
2022	$ 10,653
2023	10,919
2024	11,192
2025	11,472
2026	11,759
Thereafter	33,845
Total	$ 89,840

(1) Excludes rental income from residents at ILFs that are subject to short-term leases.

Net lease rental properties owned as of December 31, 2021 have current lease expirations of 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.

The operator of the Company's remaining net lease portfolio failed to remit contractual monthly rent obligations during the year ended December 31, 2021 and the Company deemed it not probable that these obligations will be satisfied in the future. Beginning in February 2021, the Company recorded rental income to the extent rental payments were received.

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):

			Carrying Value[1]	
Portfolio	Acquisition Date	Ownership	December 31, 2021	December 31, 2020
Trilogy	Dec-2015	23.2 %	$ 126,366	$ 133,896
Diversified US/UK	Dec-2014	14.3 %	80,766	89,651
Eclipse	May-2014	5.6 %	4,856	5,624
Envoy[2]	Sep-2014	11.4 %	—	2
Espresso[3]	Jul-2015	36.7 %	—	—
Subtotal			$ 211,988	$ 229,173
Solstice[4]	Jul-2017	20.0 %	321	—
Total			$ 212,309	$ 229,173

(1) Includes $1.3 million, $13.4 million and $9.8 million of capitalized acquisition costs for the Company's investments in the Eclipse, Diversified US/UK, 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.

(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 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 and was repaid in full August 2021. During the year ended December 31, 2021, the Company received distributions from the joint venture greater than the Company's carrying value of its unconsolidated investment, which resulted in the Company recording a gain on the distribution totaling $4.3 million and a carrying value of zero as of December 31, 2021.

(4) 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%. During the year ended December 31, 2021, the Company contributed an additional $0.4 million to Solstice.

	Years Ended December 31,			
	2021		2020	
Portfolio	Equity in Earnings (Losses)	Cash Distribution	Equity in Earnings (Losses)	Cash Distribution
Trilogy	$ (2,891)	$ 4,638	$ 4,495	$ 3,960
Diversified US/UK	(3,676)	4,257	(35,396)	1,487
Eclipse	2,130	2,898	(3,774)	86
Envoy	740	817	(7)	390
Espresso	19,619	5,500	270	—
Subtotal	$ 15,922	$ 18,110	$ (34,412)	$ 5,923
Solstice	(79)	—	(54)	—
Total	$ 15,843	$ 18,110	$ (34,466)	$ 5,923

Summarized Financial Data

The combined balance sheets as of December 31, 2021 and 2020 and combined statements of operations for the years ended December 31, 2021, 2020 and 2019 for the Company's unconsolidated ventures are as follows (dollars in thousands):

	December 31, 2021	December 31, 2020
Assets		
Operating real estate, net	$ 4,051,899	$ 4,500,319
Other assets	1,308,236	1,261,678
Total assets	$ 5,360,135	$ 5,761,997
Liabilities and equity		
Total liabilities	$ 4,277,887	$ 4,626,761
Equity	1,082,248	1,135,236
Total liabilities and equity	$ 5,360,135	$ 5,761,997

	Years Ended December 31,		
	2021	2020	2019
Total revenues	$ 1,493,341	$ 1,562,284	$ 1,575,758
Net income (loss)	$ 59,321	$ (294,501)	$ (17,689)

5. Real Estate Debt Investments

The Company's mezzanine loan debt investment was repaid in full in August 2021. During the year ended December 31, 2021, the Company received principal repayments on its debt investment totaling $74.4 million, which included payment-in-kind interest. The borrower funded principal repayments through net proceeds generated from the sale of underlying collateral and available operating cash flow. For the year ended December 31, 2021, the mezzanine loan had a contractual interest rate of 14% and generated interest income totaling $4.7 million, which represents 100% of the Company's interest income on debt investments as presented on the consolidated statements of operations.

The following table presents the Company's one debt investment (dollars in thousands) as of December 31, 2020:

Asset Type:	Principal Amount	Carrying Value[1]	Effective Interest Rate
Mezzanine loan	$ 74,182	$ 55,864	10.0 %

(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, the cumulative excess equity in losses included in the mezzanine loan carrying value were $18.3 million.

6. Borrowings

The following table presents the Company's mortgage and other notes payable (dollars in thousands):

				December 31, 2021		December 31, 2020	
	Recourse vs. Non-Recourse	Initial Maturity	Contractual Interest Rate[1]	Principal Amount[2]	Carrying Value[2]	Principal Amount[2]	Carrying Value[2]
Mortgage notes payable, net							
Watermark Aqua Portfolio							
Denver, CO	Non-recourse	Repaid	LIBOR + 2.92%	$ —	$ —	$ 20,189	$ 20,183
Frisco, TX[3]	Non-recourse	Feb 2026	3.0%	26,000	25,431	18,770	18,764
Milford, OH	Non-recourse	Sep 2026	LIBOR + 2.68%	18,661	18,388	18,760	18,423
Rochester Portfolio							
Rochester, NY	Non-recourse	Feb 2025	4.25%	18,911	18,853	19,907	19,830
Rochester, NY[4]	Non-recourse	Aug 2027	LIBOR + 2.34%	101,224	100,495	101,224	100,378
Rochester, NY	Non-recourse	Aug 2022	LIBOR + 2.90%	11,732	11,716	12,800	12,584
Arbors Portfolio[5]							
Various locations	Non-recourse	Feb 2025	3.99%	85,369	84,799	87,302	86,521
Watermark Fountains Portfolio							
Various locations	Non-recourse	Repaid	3.92%	—	—	386,607	385,606
Various locations	Non-recourse	Repaid	5.56%	—	—	73,439	73,180
Winterfell Portfolio[6]							
Various locations	Non-recourse	Jun 2025	4.17%	608,810	597,460	622,045	607,526
Avamere Portfolio[7]							
Various locations	Non-recourse	Feb 2027	4.66%	69,144	68,755	70,427	69,962
Subtotal mortgage notes payable, net				$ 939,851	$ 925,897	$ 1,431,470	$ 1,412,957
Other notes payable							
Oak Cottage							
Santa Barbara, CA	Non-recourse	[8]	6.00%	3,914	3,914	3,914	3,914
Subtotal other notes payable, net				$ 3,914	$ 3,914	$ 3,914	$ 3,914
Total mortgage and other notes payable, net				$ 943,765	$ 929,811	$ 1,435,384	$ 1,416,871

(1) Floating-rate borrowings total $131.6 million of principal outstanding and reference one-month LIBOR.
(2) 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.
(3) In January 2021, the Company refinanced its existing mortgage note payable with a new $26.0 million mortgage note payable. The new mortgage note carries a fixed interest rate of 3.0% through February 2024, followed by the greater of the fixed rate or one-month LIBOR plus 2.80% through the initial maturity date of February 2026.
(4) Composed of seven individual mortgage notes payable secured by seven healthcare real estate properties, cross-collateralized and subject to cross-default.
(5) Composed of four individual mortgage notes payable secured by four healthcare real estate properties, cross-collateralized and subject to cross-default.
(6) Composed of 32 individual mortgage notes payable secured by 32 healthcare real estate properties, cross-collateralized and subject to cross-default.
(7) Composed of five individual mortgage notes payable secured by five healthcare real estate properties, cross-collateralized and subject to cross-default.
(8) In accordance with the financing agreement, in February 2022, the Company has the option to repay the outstanding principal balance or begin to make periodic payments with the net cash flow generated by the property until the financing is repaid in full.

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:	
2022	$ 29,495
2023	20,142
2024	20,865
2025	670,775
2026	47,451
Thereafter	155,037
Total	$ 943,765

As of December 31, 2021, the operator for the Arbors portfolio failed to remit contractual rent and comply with other contractual terms of its lease agreements, which resulted in defaults under the operator's leases, which in turn, resulted in a non-monetary default under the mortgage notes collateralized by the properties. During the year ended December 31, 2021, the Company remitted contractual debt service and is in compliance with the other contractual terms under the mortgage notes collateralized by the properties.

As of December 31, 2021, a property within the Rochester portfolio did not satisfy the financial covenants under its mortgage note, which have been waived by the lender. During the year ended December 31, 2021, the Company remitted contractual debt service and is in compliance with the other contractual terms under the mortgage note, which matures in February 2025.

In response to the operational challenges resulting from the COVID-19 pandemic, the Company entered into forbearance agreements to defer contractual debt service for borrowings on properties within the Aqua, Rochester, Arbors, Winterfell and Watermark Fountains portfolios. Deferred debt service has been repaid in full for all borrowings as of December 31, 2021.

Line of Credit - Related Party

In October 2017, the Company obtained a revolving line of credit from an affiliate of the Sponsor (the "Sponsor Line"). As of December 31, 2021, the Sponsor Line has a borrowing capacity of $35.0 million at an interest rate of 3.5% plus LIBOR. In June 2021, the maturity date was extended through June 2023. If the Company terminates its advisory agreement with the Advisor, it will no longer have access to the Sponsor Line. Upon termination of the advisory agreement for any reason, amounts drawn under the Sponsor Line, if any, would become immediately due.

In April 2020, the Company borrowed $35.0 million under the Sponsor Line to improve its liquidity position in response to the uncertainties surrounding the COVID-19 pandemic. In July 2021, the Company repaid in full the outstanding borrowings. For the year ended December 31, 2021 and 2020, Sponsor Line interest totaled $0.7 million and $0.9 million, respectively. For additional information, refer to Note 14, "Subsequent Events."

The following table presents the Company's borrowings under the Sponsor Line as of December 31, 2021 (dollars in thousands):

	Principal Amount				
Asset Type:	December 31, 2021	December 31, 2020	Capacity	Contractual Interest Rate	Maturity Date
Sponsor Line of Credit	$ —	$ 35,000	$ 35,000	LIBOR + 3.50%	Jun 2023

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 2021, the advisory agreement was renewed for an additional one-year term commencing on June 30, 2021, with terms identical to those in effect through June 30, 2021, but for the following modifications:

- the payment of the asset management fee entirely in the form of shares of common stock of the Company; and
- effective January 1, 2022, a reduction of the asset management fee with respect to the Company's corporate cash balance exceeding $75.0 million, subject to the terms and conditions set forth in the advisory agreement.

For additional information regarding our advisory agreement, refer to Note 14, "Subsequent Events."

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. Effective July 1, 2021, the asset management fee is paid entirely in shares of the Company's common stock at a price per share equal to the most recently published net asset value per share, and effective January 1, 2022 the fee will be reduced if the Company's corporate cash balance exceeds $75.0 million, subject to the terms and conditions set forth in the advisory agreement.

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, 2021, 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

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 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, 2020	Year Ended December 31, 2021		Due to Related Party as of December 31, 2021
			Incurred	Paid	
Fees to Advisor Entities					
Asset management[1]	Asset management fees-related party	$ 923	$ 11,105	$ (11,091) [1]	$ 937
Reimbursements to Advisor Entities					
Operating costs[2]	General and administrative expenses	7,395	14,035	(15,029)	6,401
Total		$ 8,318	$ 25,140	$ (26,120)	$ 7,338

(1) Includes $10.6 million paid in shares of the Company's common stock.
(2) As of December 31, 2021, 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, 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.

Pursuant to the advisory agreement, for the year ended December 31, 2021, the Company issued 2.7 million shares totaling $10.6 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, 2021, the Advisor, the Sponsor and their affiliates owned a total of 7.4 million shares, or $29.0 million of the Company's common stock based on the Company's most recent estimated value per share. As of December 31, 2021, the Advisor, the Sponsor and their affiliates owned 3.8% 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, 2021, the Company recognized property management fee expense of $4.9 million paid to Solstice related to the Winterfell portfolio.

The below table indicates the Company's investments for which the Sponsor 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	NRF/ Formation Capital, LLC	May 2014	5.6%
Diversified US/UK	NRF	December 2014	14.3%

In addition, the Company owns a 23.2% interest in the Trilogy joint venture, of which American Healthcare REIT, Inc. ("AHR") and the management of Trilogy own the remaining 76.8% of the portfolio. The Former Sponsor owns a passive, non-controlling interest in AHR's operating partnership, which was formed by the combination of Griffin American Healthcare REIT III, Inc., American Healthcare Investors, LLC and Griffin-American Healthcare REIT IV, Inc.

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. In August 2021, the Company received full repayment of the outstanding principal balance of the loan. 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 for any equity-based awards granted under the Plan.

Pursuant to the Plan, as of December 31, 2021, the Company's independent directors were granted a total of 159,932 shares of restricted common stock and 66,840 restricted stock units totaling $1.3 million and $0.3 million, respectively, based on the share price on the date of each grant.

The restricted common stock and restricted stock units granted generally vest quarterly over two years in equal installments and 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 restricted stock units are convertible, on a one-for-one basis, into shares of the Company's common stock upon the earlier occurrence of: (i) the termination of the independent director's service as a director; or (ii) a change in control of the Company.

The Company recognized equity-based compensation expense of $230,083, $168,917 and $239,083 for the years ended December 31, 2021, 2020, and 2019 respectively. Equity-based compensation expense is recorded in general and administrative expenses in the consolidated statements of operations.

Unrecognized expense related to unvested restricted common stock and restricted stock units totaled $223,167 and $193,250 as of December 31, 2021 and December 31, 2020, respectively. Unvested shares totaled 4,800 and 30,403 as of December 31, 2021 and December 31, 2020, respectively. Unvested restricted stock units totaled 50,130 as of December 31, 2021.

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 common stock. The following table presents the estimated value per share of common stock based on when the value 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
November 2021	3.91	6/30/2021

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, 2021, the Company has not issued shares of common stock pursuant to the DRP. Since inception, the Company issued 25.7 million shares of common stock, generating gross offering proceeds of $232.6 million pursuant to the DRP.

Distributions

Effective February 1, 2019, the Company's board of directors determined to suspend distributions in order to preserve capital and liquidity and no distributions were declared during the years ended December 31, 2021 and 2020.

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. Distributions were paid to stockholders on the first business day of the following month and totaled $5.4 million, with $3.0 million distributed in cash and $2.4 million reinvested pursuant to its DRP.

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, 2021, the Company generated net operating income for tax purposes, however, the Company was not required to make distributions to its stockholders in 2021 to qualify as a REIT due to a net operating loss carry-forward from 2020. The Company's most recently filed tax return is for the year ended December 31, 2020 and includes a net operating loss carry-forward of $122.9 million.

Share Repurchase Program

The Company adopted the share repurchase program (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 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 and has not repurchased any shares during the year ended December 31, 2021. 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.

The Company had funded repurchase requests 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, 2021, 2020 and 2019 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 income attributable to the other non-controlling interests was $1.7 million for the year ended December 31, 2021. Net loss attributable to other non-controlling interest was $2.8 million and $0.8 million for the years ended December 31, 2020 and 2019, 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, 2021			December 31, 2020		
	Principal Amount	Carrying Value	Fair Value	Principal Amount	Carrying Value	Fair Value
Financial assets:[1]						
Real estate debt investments, net[2]	$ —	$ —	$ —	$ 74,182	$ 55,864	$ 74,182
Financial liabilities:[1]						
Mortgage and other notes payable, net	$ 943,765	$ 929,811	$ 889,485	$ 1,435,384	$ 1,416,871	$ 1,354,832
Line of credit - related party[2]	—	—	—	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.
(2) Repaid in full during the year ended December 31, 2021.

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. The fair value measurement of the Company's real estate debt investment was generally based on unobservable inputs, and as such, is classified as Level 3 of the fair value hierarchy. In August 2021, the Company's real estate debt investment was repaid in full.

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.

Derivative Instruments

For certain mortgage notes payable, the Company has interest rate caps with fair values that are de minimis as of December 31, 2021.

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):

	Years Ended December 31,					
	2021		2020		2019	
	Fair Value	Impairment Losses	Fair Value	Impairment Losses	Fair Value	Impairment Losses
Operating real estate, net	$ 11,793	$ 5,386	$ 234,650	$ 164,215	$ 58,804	$ 27,021
Assets held for sale	—		5,000	1,753	1,649	533

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 and 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. 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 - Operating* - Healthcare properties operated pursuant to management agreements with healthcare managers.
- *Direct Investments - Net Lease* - Healthcare properties operated under net leases with an operator.
- *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 Investments* - Mortgage loans or mezzanine loans to owners of healthcare real estate.
- *Corporate* - The corporate segment includes corporate level asset management 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 investments. Additionally, the Company reports its proportionate interest of revenues and expenses from unconsolidated investments through equity in earnings (losses) of unconsolidated ventures.

The following tables present segment reporting (dollars in thousands):

	Direct Investments					
Year Ended December 31, 2021	**Net Lease**	**Operating**	**Unconsolidated Investments**	**Debt**	**Corporate[1]**	**Total**
Property and other revenues	$ 14,708	$ 228,569	$ —	$ —	$ —	$ 243,277
Interest income on debt investments	—	—	—	4,667	—	4,667
Property operating expenses	(29)	(177,907)	—	—	—	(177,936)
Interest expense	(10,900)	(49,979)	—	—	(741)	(61,620)
Transaction costs	—	(54)	—	—	—	(54)
Asset management fees - related party	—	—	—	—	(11,105)	(11,105)
General and administrative expenses	(192)	(227)	—	—	(12,272)	(12,691)
Depreciation and amortization	(11,748)	(43,088)	—	—	—	(54,836)
Impairment loss	(786)	(4,600)	—	—	—	(5,386)
Other income, net	—	7,278	—	—	—	7,278
Realized gain (loss) on investments and other	10,601	64,618	4,263	—	(5)	79,477
Equity in earnings (losses) of unconsolidated ventures	—	—	15,843	—	—	15,843
Income tax expense	—	(99)	—	—	—	(99)
Net income (loss)	$ 1,654	$ 24,511	$ 20,106	$ 4,667	$ (24,123)	$ 26,815

(1) Includes unallocated asset management fee-related party and general and administrative expenses.

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Direct Investments					
Year Ended December 31, 2020	**Net Lease**	**Operating**	**Unconsolidated Investments**	**Debt**	**Corporate[1]**	**Total**
Property and other revenues	$ 32,899	$ 242,250	$ —	$ —	$ 199	$ 275,348
Interest income on debt investments	—	—	—	7,674	—	7,674
Property operating expenses	(13)	(184,165)	—	—	—	(184,178)
Interest expense	(11,832)	(53,210)	—	—	(949)	(65,991)
Transaction costs	(58)	(7)	—	—	—	(65)
Asset management 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, net	—	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 benefit (expense)	—	(53)	—	—	—	(53)
Net income (loss)	$ 4,530	$ (208,966)	$ (34,466)	$ 7,655	$ (32,991)	$ (264,238)

(1) Includes unallocated asset management fee-related party and general and administrative expenses.

	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
Property 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.

The following table presents total assets by segment (dollars in thousands):

	Direct Investments					
Total Assets:	**Net Lease**	**Operating**	**Unconsolidated Investments**	**Debt**	**Corporate[1]**	**Total**
December 31, 2021	$ 104,809	$ 908,517	$ 212,309	$ —	$ 187,238	$ 1,412,873
December 31, 2020	348,688	1,223,045	229,170	56,502	61,031	1,918,436

(1) Represents primarily corporate cash and cash equivalents balances.

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

		As of December 31, 2021		Year Ended December 31, 2021	
Operator / Manager		**Properties Under Management**	**Units Under Management[1]**	**Property and Other Revenues[2]**	**% of Total Property and Other Revenues**
Solstice Senior Living	(3)	32	4,000	$ 98,977	40.7 %
Watermark Retirement Communities		14	1,753	42,447	17.4 %
Avamere Health Services		5	453	17,301	7.1 %
Integral Senior Living		1	44	4,556	1.9 %
Arcadia Management	(4)	4	572	(3,900)	(1.6)%
Subtotal		56	6,822	159,381	65.5 %
Properties sold		17	3,630	83,896	34.5 %
Total				$ 243,277	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) During the year ended December 31, 2021, the Company recorded rental income to the extent payments were received. Rental income was reduced by $7.4 million for the write-off of straight-line rent receivables, as full collection of rent under the lease was deemed not to be probable.

13. Commitments and Contingencies

As of December 31, 2021, 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. The effects of COVID-19 may also lead to heightened risk of litigation, with an ensuing increase in litigation-related costs.

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 professional liability, 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, including those that are related to the COVID-19 pandemic, 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.

14. Subsequent Events

The following is a discussion of material events which have occurred subsequent to December 31, 2021 through the issuance of the consolidated financial statements.

Sponsor Transaction

On February 28, 2022, the Former Sponsor completed the previously announced Sponsor Transaction, which included the Company's Advisor and the individuals currently engaged in the management and oversight of the healthcare platform. The sale resulted in a change of the owner and control of the Advisor to NRF, but did not directly impact the ownership or control of the Company or any of the Company's assets.

Advisory Agreement

In connection with the Sponsor Transaction, the Company's advisory agreement was renewed for a one-year term commencing on February 28, 2022 upon terms identical to those in effect through February 28, 2022, but removed the Former Sponsor as the Sponsor and added NRF as the Company's New Sponsor.

Sponsor Line of Credit

On February 28, 2022, the Company's Sponsor Line was amended to extend the maturity date to February 28, 2024.

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2021
(Dollars in Thousands)

		Initial Cost			Gross Amount Carried at Close of Period[2]						
Location City, State	Encumbrances	Land	Building & Improvements	Capitalized Subsequent to Acquisition[1]	Land	Building & Improvements	Total	Accumulated Depreciation	Net Book Value	Date Acquired	Life on Which Depreciation is Computed
Direct Investments - Operating											
Milford, OH	18,661	1,160	14,440	2,860	1,160	17,300	18,460	4,413	14,047	Dec-13	40 years
Milford, OH	—	700	—	5,646	700	5,646	6,346	566	5,780	Jul-17	40 years
Frisco, TX	26,000	3,100	35,874	3,491	3,100	39,365	42,465	8,601	33,864	Feb-14	40 years
Apple Valley, CA	20,522	1,168	24,625	(6,357)	1,168	18,268	19,436	4,455	14,981	Mar-16	40 years
Auburn, CA	23,185	1,694	18,438	1,422	1,694	19,860	21,554	4,210	17,344	Mar-16	40 years
Austin, TX	25,528	4,020	19,417	2,722	4,020	22,139	26,159	4,760	21,399	Mar-16	40 years
Bakersfield, CA	16,201	1,831	21,006	1,507	1,831	22,513	24,344	4,678	19,666	Mar-16	40 years
Bangor, ME	20,661	2,463	23,205	1,192	2,463	24,397	26,860	4,713	22,147	Mar-16	40 years
Bellingham, WA	22,941	2,242	18,807	1,721	2,242	20,528	22,770	4,246	18,524	Mar-16	40 years
Clovis, CA	18,055	1,821	21,721	1,102	1,821	22,823	24,644	4,476	20,168	Mar-16	40 years
Columbia, MO	21,844	1,621	23,521	1,033	1,621	24,554	26,175	4,787	21,388	Mar-16	40 years
Corpus Christi, TX	17,900	2,263	20,142	(5,153)	2,263	14,989	17,252	4,100	13,152	Mar-16	40 years
East Amherst, NY	17,829	2,873	18,279	917	2,873	19,196	22,069	3,797	18,272	Mar-16	40 years
El Cajon, CA	20,197	2,357	14,733	1,309	2,357	16,042	18,399	3,355	15,044	Mar-16	40 years
El Paso, TX	11,750	1,610	14,103	1,486	1,610	15,589	17,199	3,200	13,999	Mar-16	40 years
Fairport, NY	15,899	1,452	19,427	1,826	1,452	21,253	22,705	3,710	18,995	Mar-16	40 years
Fenton, MO	23,626	2,410	22,216	1,236	2,410	23,452	25,862	4,747	21,115	Mar-16	40 years
Grand Junction, CO	18,751	2,525	26,446	978	2,525	27,424	29,949	5,205	24,744	Mar-16	40 years
Grand Junction, CO	9,608	1,147	12,523	1,002	1,147	13,525	14,672	2,880	11,792	Mar-16	40 years
Grapevine, TX	21,492	1,852	18,143	(8,359)	1,852	9,784	11,636	3,556	8,080	Mar-16	40 years
Groton, CT	16,933	3,673	21,879	(8,705)	3,673	13,174	16,847	4,501	12,346	Mar-16	40 years
Guilford, CT	23,382	6,725	27,488	(22,435)	6,725	5,053	11,778	4,374	7,404	Mar-16	40 years
Joliet, IL	14,349	1,473	23,427	(6,825)	1,473	16,602	18,075	4,237	13,838	Mar-16	40 years
Kennewick, WA	7,387	1,168	18,933	1,264	1,168	20,197	21,365	3,964	17,401	Mar-16	40 years
Las Cruces, NM	10,764	1,568	15,091	1,742	1,568	16,833	18,401	3,440	14,961	Mar-16	40 years
Lees Summit, MO	26,162	1,263	20,500	1,341	1,263	21,841	23,104	4,568	18,536	Mar-16	40 years
Lodi, CA	19,353	2,863	21,152	1,139	2,863	22,291	25,154	4,600	20,554	Mar-16	40 years
Normandy Park, WA	15,617	2,031	16,407	(3,130)	2,031	13,277	15,308	3,617	11,691	Mar-16	40 years
Palatine, IL	19,352	1,221	26,993	(11,153)	1,221	15,840	17,061	5,500	11,561	Mar-16	40 years
Plano, TX	15,483	2,200	14,860	(5,095)	2,200	9,765	11,965	3,387	8,578	Mar-16	40 years
Renton, WA	18,327	2,642	20,469	2,483	2,642	22,952	25,594	4,455	21,139	Mar-16	40 years
Sandy, UT	15,201	2,810	19,132	(5,875)	2,810	13,257	16,067	3,731	12,336	Mar-16	40 years
Santa Rosa, CA	26,889	5,409	26,183	2,443	5,409	28,626	34,035	5,547	28,488	Mar-16	40 years
Sun City West, AZ	24,707	2,684	29,056	(5,097)	2,684	23,959	26,643	5,765	20,878	Mar-16	40 years
Tacoma, WA	28,916	7,974	32,435	2,785	7,977	35,217	43,194	7,405	35,789	Mar-16	40 years
Frisco, TX	—	1,130	—	12,641	1,130	12,641	13,771	2,025	11,746	Oct-16	40 years
Albany, OR	8,492	958	6,625	(3,581)	758	3,244	4,002	1,247	2,755	Feb-17	40 years
Port Townsend, WA	16,236	1,613	21,460	933	996	23,010	24,006	3,833	20,173	Feb-17	40 years
Roseburg, OR	12,013	699	11,589	697	459	12,526	12,985	2,116	10,869	Feb-17	40 years
Sandy, OR	13,702	1,611	16,697	893	1,233	17,968	19,201	2,829	16,372	Feb-17	40 years
Santa Barbara, CA	3,914	2,408	15,674	451	2,408	16,125	18,533	2,240	16,293	Feb-17	40 years
Wenatchee, WA	18,700	2,540	28,971	1,117	1,534	31,094	32,628	4,543	28,085	Feb-17	40 years
Churchville, NY	6,575	296	7,712	789	296	8,501	8,797	1,517	7,280	Aug-17	35 years
Greece, NY	—	534	18,158	(11,097)	533	7,062	7,595	1,580	6,015	Aug-17	49 years
Greece, NY	26,833	1,007	31,960	2,029	1,007	33,989	34,996	4,986	30,010	Aug-17	41 years
Henrietta, NY	11,881	1,153	16,812	1,409	1,152	18,222	19,374	3,382	15,992	Aug-17	36 years
Penfield, NY	12,502	781	20,273	(8,053)	781	12,220	13,001	3,378	9,623	Aug-17	30 years
Penfield, NY	10,918	516	9,898	736	515	10,635	11,150	1,864	9,286	Aug-17	35 years
Rochester, NY	18,911	2,426	31,861	2,587	2,425	34,449	36,874	5,165	31,709	Aug-17	39 years
Rochester, NY	5,341	297	12,484	(9,153)	296	3,332	3,628	2,044	1,584	Aug-17	37 years
Victor, NY	27,174	1,060	33,246	2,241	1,059	35,488	36,547	5,115	31,432	Aug-17	41 years

Location City, State	Encumbrances	Initial Cost		Capitalized Subsequent to Acquisition[1]	Gross Amount Carried at Close of Period[2]			Accumulated Depreciation	Net Book Value	Date Acquired	Life on Which Depreciation is Computed
		Land	Building & Improvements		Land	Building & Improvements	Total				
Victor, NY	11,732	557	13,570	17	555	13,589	14,144	1,534	12,610	Nov-17	41 years
Undeveloped Land											
Rochester, NY	—	544	—	—	544	—	544	—	544	Aug-17	(3)
Penfield, NY	—	534	—	—	534	—	534	—	534	Aug-17	(3)
Direct Investments - Net Lease											
Bohemia, NY	22,716	4,258	27,805	160	4,258	27,965	32,223	5,854	26,369	Sep-14	40 years
Hauppauge, NY	13,782	2,086	18,495	1,351	2,086	19,846	21,932	4,464	17,468	Sep-14	40 years
Islandia, NY	33,866	8,437	37,198	291	8,437	37,489	45,926	8,011	37,915	Sep-14	40 years
Westbury, NY	15,005	2,506	19,163	293	2,506	19,456	21,962	4,028	17,934	Sep-14	40 years
Total	$ 943,765	$ 123,964	$ 1,120,722	$ (46,786)	$ 121,518	$ 1,076,382	$1,197,900	$ 225,301	$ 972,599		

(1) Negative amount represents impairment of operating real estate.
(2) The aggregate cost for federal income tax purposes is approximately $1.5 billion.
(3) Depreciation is not recorded on land.

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2021
(Dollars in Thousands)

The following table presents changes in the Company's operating real estate portfolio for the years ended December 31, 2021, 2020 and 2019 (dollars in thousands):

	Year Ended December 31,		
	2021	2020	2019
Balance at beginning of year	$ 1,774,971	$ 1,931,032	$ 1,949,997
Dispositions	(603,082)	—	(16,645)
Improvements	31,397	17,036	24,701
Impairment	(5,386)	(165,246)	(27,021)
Subtotal	1,197,900	1,782,822	1,931,032
Classified as held for sale[(1)]	—	(7,851)	—
Balance at end of year[(2)]	$ 1,197,900	$ 1,774,971	$ 1,931,032

(1) Amounts classified as held for sale during the year and remained as held for sale at the end of the year.
(2) The aggregate cost of the properties is approximately $318.2 million higher for federal income tax purposes as of December 31, 2021.

The following table presents changes in accumulated depreciation as of December 31, 2021, 2020 and 2019 (dollars in thousands):

	Year Ended December 31,		
	2021	2020	2019
Balance at beginning of year	$ 291,041	$ 230,814	$ 171,083
Depreciation expense	53,476	63,078	62,798
Property dispositions	(119,216)	—	(3,067)
Subtotal	225,301	293,892	230,814
Classified as held for sale	—	(2,851)	—
Balance at end of year	$ 225,301	$ 291,041	$ 230,814

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
SCHEDULE IV - MORTGAGE LOANS ON REAL ESTATE
December 31, 2021
(Dollars in Thousands)

The Company's mezzanine loan debt investment was repaid in full in August 2021. The following table presents changes in the Company's real estate debt investments for the years ended December 31, 2021, 2020 and 2019 (dollars in thousands):

	Years Ended December 31,		
	2021	2020	2019
Balance at beginning of year	$ 55,864	$ 55,468	$ 58,600
Additions:			
Capitalized payment-in-kind interest	194	—	—
Loan modification fees	(687)	—	—
Deductions:			
Reclassification[(1)]	18,307	271	(2,427)
Repayment of principal	(74,376)	—	(818)
Amortization of acquisition costs, fees, premiums and discounts	698	125	113
Balance at end of year	$ —	$ 55,864	$ 55,468

(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 and was repaid in full in August 2021. During the year ended December 31, 2021, the Company received distributions from the joint venture greater than the Company's carrying value of its unconsolidated investment, which resulted in the Company recording a gain on the distribution and a carrying value of zero as of December 31, 2021.

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

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.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

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 2022 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, 2021.

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:

Report of Independent Registered Public Accounting Firm (PCAOB ID: 248)
Report of Independent Registered Public Accounting Firm (PCAOB ID: 42)
Report of Independent Registered Public Accounting Firm (PCAOB ID: 42)
Report of Independent Registered Public Accounting Firm (PCAOB ID: 42)

Consolidated Balance Sheets as of December 31, 2021 and 2020
Consolidated Statements of Operations for the years ended December 31, 2021, 2020 and 2019
Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2021, 2020 and 2019
Consolidated Statements of Equity for the years ended December 31, 2021, 2020 and 2019
Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019
Notes to the Consolidated Financial Statements
Schedule III - Real Estate and Accumulated Depreciation as of December 31, 2021
Schedule IV - Mortgage Loans on Real Estate as of December 31, 2021

(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	Amendment No. 3 to Advisory Agreement dated as of June 30, 2021 by and among NorthStar Healthcare Income, Inc., NorthStar Healthcare Income Operating Partnership, LP, CNI NSHC Advisors, LLC and DigitalBridge Group, Inc. (f/k/a Colony Capital, Inc.) (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 1, 2021 and incorporated herein by reference)
10.5	Amendment No. 4 to Advisory Agreement dated as of February 28, 2022 by and among NorthStar Healthcare Income, Inc., NorthStar Healthcare Income Operating Partnership, LP, CNI NSHC Advisors, LLC, DigitalBridge Group, Inc. and NRF Holdco, LLC
10.5	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)
10.6	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)

Exhibit Number	Description of Exhibit
10.7	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)
10.8	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)
10.9	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)
10.10	NorthStar Healthcare Income, Inc. Fourth Amended and Restated Independent Directors Compensation Plan (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 and incorporated herein by reference)
10.11	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)
10.12*	Form of Restricted Stock Unit Award Certificate
10.13	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)
10.14	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)
10.15	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)
10.16	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)
10.17*^	Portfolio Acquisition Agreement, dated as of November 1, 2021, by and between Watermark Albemarle Owner, LLC, Watermark Boca Ciega Bay Owner, LLC, Watermark Crystal Lake Owner, LLC, Watermark Greenbriar Owner, LLC, Watermark La Cholla Owner, LLC, Watermark Millbrook Owner, LLC, Watermark RiverVue Owner, LLC, Watermark Washington House Owner, LLC, Fountains Bellevue Owner NT-HCI, LLC, Fountains Bronson Place Owner NT-HCI, LLC, Fountains Canterbury Owner NT-HCI, LLC, Fountains Carlotta Owner NT-HCI, LLC, Fountains Lake Pointe Woods Owner NT-HCI, LLC and Fountains Sea Bluffs Owner NT-HCI, LLC, and certain other subsidiaries named therein, and Welltower Inc., WELL Trevi Tenant LLC, WELL Trevi CCRC Tenant LLC and certain other subsidiaries named therein.
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

Exhibit Number	Description of Exhibit
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith

^ Portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements 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 18, 2022

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 T. Andrew Smith and Paul V. Varisano 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 18, 2022
/s/ PAUL V. VARISANO Paul V. Varisano	Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)	March 18, 2022
/s/ T. ANDREW SMITH T. Andrew Smith	Non-Executive Chairman	March 18, 2022
/s/ GREGORY A. SAMAY Gregory A. Samay	Director	March 18, 2022
/s/ JONATHAN A. CARNELLA Jonathan A. Carnella	Director	March 18, 2022

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
Trilogy Holdings NT-HCI 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 18, 2022, 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, 2021. We 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 18, 2022

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 17, 2022, with respect to the consolidated financial statements of Healthcare GA Holdings, General Partnership for the year ended December 31, 2021, included in this Annual Report (Form 10-K).

/s/ Ernst & Young LLP

Los Angeles, California

March 18, 2022

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 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 18, 2022

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 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 18, 2022

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 18, 2022

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, Paul V. Varisano, 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/ PAUL V. VARISANO
Name: Paul V. Varisano
Title: *Chief Financial Officer and Treasurer*
Date: March 18, 2022

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, 2021, 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 18, 2022

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, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Paul V. Varisano, 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/ PAUL V. VARISANO
Paul V. Varisano
Chief Financial Officer and Treasurer
Date: March 18, 2022

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 10.12

RESTRICTED STOCK UNIT AWARD CERTIFICATE

Non-transferable

GRANT TO

_____
("Grantee")

by NorthStar Healthcare Income, Inc. (the "Company") of

____ restricted stock units convertible, on a one-for-one basis, into shares of Stock (the "Units")

pursuant to and subject to the provisions of the NorthStar Healthcare Income, Inc. Fourth Amended and Restated Independent Directors Compensation Plan (the "Directors Compensation Plan"), which is operated as a subplan of the NorthStar Healthcare Income, Inc. Amended and Restated Long Term Incentive Plan (the "Long Term Incentive Plan" and, together with the Directors Compensation Plan, the "Plans") and to the terms and conditions set forth on the following page (the "Terms and Conditions"). By accepting the Units, Grantee shall be deemed to have agreed to the Terms and Conditions set forth in this Award Certificate and the Plans. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plans.

Unless vesting is accelerated in the discretion of the Board, the Units will vest (become non-forfeitable) over two (2) years in equal quarterly installments beginning on the first day of the first quarter following the Grant Date, provided that Grantee is still serving as a director of the Company on each such date.

IN WITNESS WHEREOF, NorthStar Healthcare Income, Inc., acting by and through its duly authorized officers, has caused this Award Certificate to be executed as of the Grant Date.

NORTHSTAR HEALTHCARE INCOME, INC.

By:_____
Its: Authorized Officer

Grant Date:

Exhibit 10.12

TERMS AND CONDITIONS

1. Vesting. The Units have been credited to a bookkeeping account on behalf of Grantee. The Units shall vest and become non-forfeitable on the earliest to occur of the following (each, a "Vesting Date"):

(a) as to the installments of the Units specified on the cover page hereof, on the respective quarterly dates specified on the cover page hereof, provided Grantee is providing services a director of the Company on each such date;

(b) as to all of the Units, upon Grantee's death or upon Grantee's "separation from service" (as defined in Section 409A of the Code) by reason of Grantee's Disability; or

(d) as to all of the Units, upon the effective date of a Change in Control (as defined in Section 409A of the Code).

If Grantee's services a director of the Company terminates prior to a Vesting Date for any reason other than as described in (b) above, Grantee shall forfeit all right, title and interest in and to the then unvested Units as of the date of such termination and the unvested Units will be reconveyed to the Company without further consideration or any act or action by Grantee.

2. Conversion to Stock. Unless the Units are forfeited prior to the Vesting Date as provided in Section 1 above, the Units will be converted to shares of Stock, on the earlier of (i) a Change in Control (as defined in Section 409A of the Code), or (ii) the date of Grantee's "separation from service" (as defined in Section 409A of the Code) or, if Grantee is a "specified employee" of the Company as of the date of such separation from service, on the six-month anniversary of Grantee's separation from service (in either case, the "Conversion Date"). The shares of Stock shall be registered in the name of Grantee as of the Conversion Date, and certificates for the shares of Stock (or, at the option of the Company, statements of book entry notation of the shares of Stock in the name of Grantee in lieu thereof) shall be delivered to Grantee or Grantee's designee upon request of Grantee as soon as practicable after the Conversion Date, but no later than thirty (30) days following the Conversion Date.

3. Voting Rights. Grantee shall not have voting rights with respect to the Units.

4. Dividend Equivalent Rights. If any dividends or other distributions are paid with respect to the Stock while the Units are outstanding, the dollar amount or fair market value of such dividends or distributions with respect to the number of shares of Stock then underlying the Units shall be credited to a bookkeeping account and held (without interest) by the Company for the account of Grantee until the Vesting Date. Such amounts shall be subject to the same vesting and forfeiture provisions as the Units to which they relate. Accrued dividends held pursuant to the foregoing provision shall be paid by the Company to Grantee on the Conversion Date.

5. Restrictions on Transfer and Pledge. No right or interest of Grantee in the Units may be pledged, encumbered, or hypothecated to or in favor of any party, or shall be subject to any lien, obligation, or liability of Grantee to any other party. The Units are not assignable or transferable by Grantee other than by will or the laws of descent and distribution.

6. No Right of Continued Service. Nothing in this Award Certificate shall interfere with or limit in any way the right of the Company to terminate Grantee's service at any time, nor confer upon Grantee any right to continue in the service of the Company.

7. Restrictions on Issuance of Shares. If at any time the Committee shall determine, in its discretion, that registration, listing or qualification of the Shares underlying the Units upon any Exchange or under any foreign, federal, or local law or practice, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition to the settlement of the Units, the Units shall not be converted to Shares in whole or in part unless and until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

8. Plans Control. The terms contained in the Plans are incorporated into and made a part of this Award Certificate and this Award Certificate shall be governed by and construed in accordance with the Plans. In the event of any actual or alleged conflict between the provisions of the Plans and the provisions of this Award Certificate, the

provisions of the Plans shall be controlling and determinative. In the event of any actual or alleged conflict between the provisions of the two Plans, the provisions of the Long Term Incentive Plan shall be controlling and determinative.

9. Successors. This Award Certificate shall be binding upon any successor of the Company, in accordance with the terms of this Award Certificate and the Plans.

10. Severability. If any one or more of the provisions contained in this Award Certificate is invalid, illegal or unenforceable, the other provisions of this Award Certificate will be construed and enforced as if the invalid, illegal or unenforceable provision had never been included.

11. Notice. Notices and communications hereunder must be in writing and either personally delivered or sent by registered or certified United States mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to NorthStar Healthcare Income, Inc., 590 Madison Avenue, 34th Floor, New York, New York 10022, Attn: Secretary, or any other address designated by the Company in a written notice to Grantee. Notices to Grantee will be directed to the address of Grantee then currently on file with the Company, or at any other address given by Grantee in a written notice to the Company.

CERTAIN IDENTIFIED INFORMATION, MARKED BY [***], HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL AND (ii) THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL.

Exhibit 10.17
EXECUTION VERSION

PORTFOLIO ACQUISITION AGREEMENT

by and between

SELLER (as defined herein)

and

PURCHASER (as defined herein)

November 1, 2021

TABLE OF CONTENTS

Schedules:

Exhibits:

THIS PORTFOLIO ACQUISITION AGREEMENT (this "**Agreement**") made as of the 1st day of November, 2021, by and between Seller (as defined herein) and Welltower Inc., a Delaware corporation ("**PropCo Purchaser**"), WELL Trevi Tenant LLC, a Delaware limited liability company ("**WELL Trevi Tenant**"), WELL Trevi CCRC Tenant LLC, a Delaware limited liability company (collectively with WELL Trevi Tenant, "**OpCo Purchaser**"), Welltower TRS Holdco LLC, a Delaware limited liability company, solely in its capacity as the purchaser of certain land in King County, Washington, and more particularly described in Schedule 2-3 attached hereto ("**Bellevue Vacant Land Purchaser**"), Welltower Inc., a Delaware corporation, in its capacity as the purchaser of certain land in McHenry County, Illinois and more particularly described in Schedule 2-10 attached hereto (solely in such capacity, "**Crystal Lake Vacant Land Purchaser**"), Welltower Inc., a Delaware corporation, in its capacity as the purchaser of certain land in Dutchess County, New York and more particularly described in Schedule 2-15 attached hereto (solely in such capacity, "**Millbrook Vacant Land Purchaser**"), Welltower Inc., a Delaware corporation, in its capacity as the purchaser of certain land in Kalamazoo County, Michigan, and more particularly described in Schedule 2-6 attached hereto (solely in such capacity, "**Bronson Place Vacant Land Purchaser**"; Bronson Place Vacant Land Purchaser, Bellevue Vacant Land Purchaser, Crystal Lake Vacant Land Purchaser, and Millbrook Vacant Land Purchaser, collectively, the "**Vacant Land Purchasers**"), WELL Trevi Albermarle SNF LLC, a Delaware limited liability company ("**Albemarle SNF Tenant Purchaser**"), WELL Trevi Bronson SNF LLC, a Delaware limited liability company ("**Bronson SNF Tenant Purchaser**"), WELL Trevi Carlotta SNF LLC, a Delaware limited liability company ("**Carlotta SNF Tenant Purchaser**"), and WELL Trevi WH SNF LLC, a Delaware limited liability company ("**Washington House SNF Tenant Purchaser**"; Washington House SNF Tenant Purchaser, Abermarle SNF Tenant Purchaser, Bronson SNF Tenant Purchaser, and Carlotta SNF Tenant Purchaser, collectively, the "**SNF Tenant Purchaser**"; SNF Tenant Purchaser, PropCo Purchaser, OpCo Purchaser, and Vacant Land Purchasers, collectively, "**Purchaser**").

W I T N E S S E T H:

WHEREAS, each of the entities listed on Schedule 1-1 hereto (individually and or collectively as the context may suggest or require, "**Seller**") is (a) the fee owner of Real Property (collectively, the "**Fee Owner Sellers**") that constitutes a facility (each a "**Property**" and collectively, the "**Properties**" or the "**Portfolio**"), (b) the Operating Tenant of such a facility or (c) the sublessor of such a facility;

WHEREAS, those Properties listed on Schedule 1-2 (the "**JV Properties**") are leased by certain of the Sellers pursuant to the leases listed on Schedule 1-2 (each, an "**Operating Lease**" and collectively, the "**Operating Leases**") to the tenants thereunder (the "**Operating Tenants**"), who together own the Seller Assets relating to such JV Properties;

WHEREAS, those Properties listed on Schedule 1-3 and identified therein as the Millbrook Property and the RiverVue Property (collectively, the "**NY Properties**") are subleased, respectively, pursuant to (i) that certain Lease Agreement (the "**Millbrook Sublease**"), dated as of September 8, 2000 between Watermark Millbrook, LLC, a Delaware limited liability company ("**Millbrook Sublessor**") and The Fountains Operating Company (NY), Inc., a New York corporation (the "**NY Subtenant**"), as amended, and (B) that certain

Lease Agreement (the "**RiverVue Sublease**"; together with the Millbrook Sublease, collectively, the "**NY Subleases**"), dated as of July 16, 2001 between Watermark RiverVue, LLC, a Delaware limited liability company ("**RiverVue Sublessor**"; and together with Millbrook Sublessor, collectively, the "**NY Sublessors**") and NY Subtenant, as amended.

WHEREAS, certain of the Sellers lease certain Properties (the "**Master Lease Properties**") to Watermark Fountains Tenant LLC (the "**Master Tenant**") pursuant to that certain Master Lease Agreement, dated as of June 1, 2015 (together with all amendments and modifications thereof and supplements relating thereto, the "**Master Lease**");

WHEREAS, concurrently herewith, Master Tenant, NY Subtenant, WRC, OpCo Purchaser and certain other parties are entering into that certain Operations Transfer Agreement dated as of the date hereof relating to the Master Lease Properties and the NY Properties (the "**OTA**"), a copy of which is attached hereto as Exhibit A; and

WHEREAS, Seller desires to transfer the Portfolio to Purchaser, and Purchaser desires to acquire the Portfolio upon and subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

1. DEFINITIONS.

A/R	Section 2(c)(i)
Accrued PTO	Section 7(k)
Additional Assets	Section 2(b)
Aggregate Material Adverse Effect	Section 9(b)(i)
Agreement	Preamble
Albemarle SNF Tenant Purchaser	Preamble
Anti-Money Laundering Laws	Section 10(c)(iv)
Application	Section 8(a)(xvi)
Bellevue Vacant Land Purchaser	Preamble
Boca Ciega Bay Lease	Section 10(d)(xxvi)
Boca Ciega Bay Property	Section 10(d)(xxvi)
Bridging Applications	Section 8(e)(ii)
Bridging Approvals	Section 8(e)(ii)
Bridging Arrangement	Section 8(e)(ii)
Bridging Documents	Section 8(e)(ii)
Broker	Section 13(a)
Bronson Place Vacant Land Purchaser	Preamble
Bronson SNF Tenant Purchaser	Preamble
Carlotta SNF Tenant Purchaser	Preamble
Casualty	Section 11(a)
Casualty Notice	Section 11(a)
Casualty Renovation Cost	Section 11(a)
CCCL	Section 36(b)(v)
Certificates of Occupancy	Section 8(a)(xvi)

Third Party Payor	Section 35(h)
Third Party Reports	Section 14(b)
Threshold Amount	Section 10(h)(iii)
Title Affidavit	Section 6(e)
Title Company	Section 6(a)(i)
Title Cure Period	Section 6(a)(iv)
Title Policies	Section 6(e)
Title Policy	Section 6(e)
Transfer Tax Laws	Section 14(a)
Transfer Taxes	Section 14(a)
Transferor	Section 9(b)(v)
Transition Date	Section 8(f)(v)
Treasury Regulations	Section 19
U.S. Person	Section 10(c)(iii)
Update Exception	Section 6(a)(iii)
Update Objection Deadline	Section 6(a)(iii)
Update Objections	Section 6(a)(iii)
Vacant Land Purchasers	Preamble
Violations	Section 7(j)
WA Seller Disclosure Statement	Section 36(d)(i)
Washington House SNF Tenant Purchaser	Preamble
WELL Trevi Tenant	Preamble
WRC	Section 3(c)

2. SALES AND ACQUISITIONS.

(a) Subject to the terms and conditions set forth in this Agreement, at the Closing, Seller shall sell, convey, transfer, and assign to PropCo Purchaser and Vacant Land Purchasers, and PropCo Purchaser and Vacant Land Purchasers shall purchase and acquire from Seller the following, but specifically excluding the Excluded Assets (the "**Real Property Assets**"):

(i) all of Seller's fee interest in the land, as more particularly described in Schedules 2-1 through Schedule 2-18 attached hereto (collectively, the "**Land**"), and all buildings, structures, fixtures, facilities, amenities, driveways, walkways, parking lots and other improvements located on the Land (collectively, the "**Improvements**");

(ii) all of Seller's right, title and interest in and to all easements, rights-of-way, rights of ingress and egress, strips, zones, licenses, transferable hereditaments, privileges, tenements and appurtenances in any way belonging to or appertaining to the Land or the Improvements, and any right or interest in any open or proposed highways, streets, roads, avenues, alleys, easements, strips, gores and rights-of-way in, across, in front of, contiguous to, abutting or adjoining the Land (collectively with the Land and the Improvements, collectively, the "**Real Property**");

(iii) all of Seller's right, title and interest in and to all licenses, permits, certifications, accreditations, registrations, qualifications, certificates of need and exemption, approvals, authorizations, entitlements, land use applications, land use permits and approvals, other operating permits and other governmental authorizations (including certificates of occupancy) issued by any Governmental Authority to Fee Owner Seller (collectively, the "**Licenses**") and required in connection with the ownership, operation, planning, development, use or maintenance of any Real Property or the Portfolio, but only to the extent such Licenses are assignable by Seller pursuant to applicable Legal Requirements; and

(iv) all of Seller's right, title and interest in and to: (A) all rights and work product under outstanding construction, service, consulting, engineering, architectural, design and construction agreements relating to the Real Property or the Properties; (B) all construction warranties, manufacturers' warranties and other warranties and guarantees applicable to the Real Property or the Properties; and (C) all development rights related to the Real Property (the items described in the foregoing clauses (A) - (C), collectively, the "**Intangible Property**"), but only to the extent assignable by Seller without the consent of any third party.

(b) Subject to the terms and conditions set forth in this Agreement, at the Closing, Seller sell, convey, transfer, and assign to the applicable OpCo Purchaser (or, with respect to the Seller Assets consisting of skilled nursing facilities located at the properties commonly known as Albemarle, Bronson Place, The Carlotta, and Washington House, the applicable SNF Tenant Purchaser), and the applicable OpCo Purchaser (or applicable SNF Tenant Purchaser) shall purchase and acquire from Seller the following, but specifically excluding the Excluded Assets (the "**Additional Assets**", and together with the Real Property Assets, collectively, the "**Seller Assets**"):

(i) all of Seller's right, title and interest in and to the fixtures, furnishings, furniture, equipment, machinery, inventory, appliances, materials, foods, linens, pharmaceuticals, supplies and other personal property owned by such Seller and located at the Properties (collectively, the "**Personalty**");

(ii) all of Operating Tenants' right, title and interest in and to all licenses, permits, certifications, accreditations, registrations, qualifications, certificates of need and exemption, approvals, authorizations, entitlements, other operating permits and other governmental authorizations issued by any Governmental Authority to Operating Tenants and required to be maintained in the name of the operator of a Property, other than the NY Properties, pursuant to applicable Legal Requirements (including, without limitation, applicable Health Care Laws) ("**Operator Licenses**"), but only to the extent such Operator Licenses are assignable by Operating Tenants pursuant to applicable Legal Requirements (including applicable Health Care Laws) and including assignable Regulatory Approvals;

(iii) all of Seller's right, title and interest in and to all leases and subleases of any portion of the Real Property to any third party (excluding the Operating Leases and the Master Lease, the "**Leases**") and all residency or occupancy agreements with residents of the Properties, other than the NY Properties ("**Residency Agreements**"), but only to the extent

such Residency Agreements are assignable by such Seller pursuant to applicable Health Care Laws;

(iv) all of Seller's right, title and interest in and to the agreements and contracts pertaining to the Real Property or any Property, including, but not limited to, the NY Subleases (the "**Contracts**"), but only to the extent such Contracts are assignable by such Seller without the consent of any third party;

(v) subject to Section 8(f), all of Seller's right, title and interest in and to all Provider Agreements (as hereinafter defined), and provider agreements with other Third Party Payors, to the extent assignable by such Seller pursuant to applicable Health Care Laws; and

(vi) all rights and access to Resident Trust Funds, if any, in accordance with Section 7(o); provided, that to the extent any Resident Trust Funds cannot be transferred as of the Closing due to applicable Health Care Laws but can be transferred under applicable Health Care Laws on the date on which Licensure Approvals are obtained, such Resident Trust Funds shall be transferred as of the such date.

(c) Notwithstanding anything to the contrary contained herein, Purchaser shall not be required or entitled hereunder to purchase or otherwise acquire, and Seller shall not sell, assign, transfer, convey or deliver to Purchaser, any assets or other property, including the following (collectively, the "**Excluded Assets**"):

(i) any bank accounts, cash, cash equivalents, securities and accounts receivable ("**A/R**"), prepaid accounts, deposits and advance payments relating to the Real Property or the Properties (but, for the avoidance of doubt, the foregoing will be subject to proration in accordance with Section 7), and real estate tax, insurance, maintenance, replacement and other escrows, reserves and impounds held in connection with any loans;

(ii) any refunds, rebates and dividends paid in respect of insurance premiums paid by Seller, as applicable, and relating to periods prior to the Closing Date, and refunds and additional recoveries by or payments to Seller, as applicable, from any Person for services, goods or supplies which were provided by such Person prior to the Closing Date;

(iii) except as otherwise expressly provided herein in connection with a casualty under Section 10, all insurance claims or proceeds arising out of or relating to events that occur prior to the Closing Date;

(iv) all (A) income tax returns and records, organizational documents, minute books and all other books and records and intangible property of Seller or any of their respective affiliates and not pertaining exclusively to the Real Property or any Property, (B) proprietary or confidential materials, customer lists, leads, internal books and records of Seller and their affiliates, (C) policy and procedure manuals and similar documentation, including, without limitation, all compliance-plan materials and any and all copyrighted materials, and (D) any other books and records of Seller and their affiliates not pertaining to the Real Property or any Property;

(v) all fixtures, personal property, equipment and other tangible and intangible assets of any vendor, supplier or other third party;

(vi) all leases and other agreements and contracts solely between or among members of Seller and their affiliates, other than the NY Subleases, including, without limitation, the Operating Leases and the Master Lease;

(vii) all books and records relating to employees of any Seller, Master Tenant or any of their respective affiliates;

(viii) (A) the name "Watermark", the stylized "W" utilized by Master Tenant, the name "Fountains" or any derivative thereof, or any signs, logos, brochures, manuals, program, and website domain using the name "Watermark", "Gourmet Bites" the stylized "W" utilized by Master Tenant, the name "Fountains" or any derivative thereof, (B) Seller's and Master Tenant's operational guides, policies and procedure manuals, including, without limitation, Master Tenant's "Watermark Connect" software, (C) any copyright, patent, trademark, trade secret or other proprietary right of Seller or its affiliates, (D) software such as Real Page, Eldermark and TELS (provided that leads, referrals and the resident database will be downloaded/exported from such software programs for Purchaser's use), and (E) marketing and design intangibles for the period from the Closing Date until sixty (60) days after receipt of all Licensure Approvals; and

(ix) any Seller Period Relief Funds (as hereinafter defined).

(d) Retained Liabilities. Except as otherwise expressly set forth in this Agreement or the OTA, Purchaser is not assuming, in connection with the transactions contemplated hereby or thereby, any liabilities or obligation of Seller under any of the Seller Assets which have arisen, accrued or relate to any period prior to the Closing Date, whether direct or indirect, known or unknown, asserted or unasserted, liquidated or unliquidated, or absolute or contingent, including, but not limited to;

(i) intentionally omitted;

(ii) the payment of all taxes and assessments due and payable or accrued but not yet paid arising from Sellers' ownership and operation of the Properties prior to the Closing Date, except to the extent Purchaser has received a credit for such taxes and assessments under Section 7;

(iii) any claim, whether direct or indirect, known or unknown, or absolute or contingent, for personal injury, workers compensation, or property damage to a Person against Seller which is based on, or relates to, any event which occurred at the Properties prior to the Closing Date, excluding any damages caused or exacerbated by Purchaser;

(iv) intentionally omitted;

(v) any actual, pending or threatened litigation with respect to any of the Seller Assets which relates to events that occurred prior to the Closing Date, excluding any damages caused or exacerbated by Purchaser;

(vi) any amounts due or that may become due as a result of (A) any determination by Medicare or Medicaid, any fiscal intermediary, or any federal or state Governmental Authority or any Third Party Payor that any amounts paid to Seller for any services provided by Seller at a Property (including, for the avoidance of doubt, any claims with respect to Medicare advance payments) prior to the Closing Date resulted in (x) an overpayment, (y) cost report adjustments, or (z) any other recoupment or determination that funds previously paid by such payor must be repaid, and (B) any fines, penalties, assessments, and other charges associated with any such determinations, in each case, except to the extent Purchaser has received a credit therefor under Section 7 or Section 8;

(vii) any claims, litigation or other liabilities arising from or related to any violation of applicable Health Care Laws with respect to any period prior to the Closing Date; and

(viii) any claims by any resident (or his or her estate or heirs) for bodily injury, harm or death or by any regulatory body, in each case as a result of contraction of COVID 19 (as hereinafter defined), but only to the extent relating to acts, omissions, events or circumstances first arising or occurring prior to the Closing Date. The term "**COVID-19**" as used herein shall mean, as the context may require, the virus known as "**COVID-19**" or "**SARS-CoV 2**" or any mutation thereof, or the disease known as "coronavirus disease 2019," or any similar ailment.

All items contained in this Section 2(d) are the "**Retained Liabilities**". The Retained Liabilities shall be retained and discharged in accordance with their terms by Seller (subject to the limitations otherwise expressly set forth in this Agreement).

(e) Pre-closing Environmental Matters Not Assumed. Without limiting the provisions of Section 10(b) and Section 36(a), Purchaser is not assuming any liability or obligation of Seller with respect to any (i) damages (including costs of investigation, monitoring, cleanup, containment or other remediation and response costs), or (ii) bodily injury (including illness, disability and death, regardless of when any bodily injury occurred, was incurred or manifested itself), personal injury, property damage (including trespass, nuisance, wrongful eviction and deprivation of the use of real property), in any way arising from or allegedly arising from any release, or alleged release, of Hazardous Materials on, at, about the Properties prior to the Closing Date or any violation of Environmental Laws in connection with the operation of the Properties prior to the Closing Date, excluding any environmental matters caused or exacerbated by Purchaser, in each case, whether asserted or unasserted, liquidated or unliquidated, absolute or contingent.

(f) All or Nothing Basis. Subject to the terms and conditions of this Agreement, Seller agrees to sell to Purchaser, and Purchaser agrees to purchase from Seller, all of the Properties at Closing in consideration for the Purchase Price. Seller and Purchaser acknowledge and agree that, except as otherwise provided in this Agreement, (i) the sale of the Properties shall be on an "all or nothing" basis, (ii) Purchaser shall have no right, and Seller shall have no obligation, to exclude any single Property or any portion thereof from the transaction described in this Agreement, and (iii) any termination of this Agreement shall constitute a termination of this Agreement as to all of the Properties.

3. ACCESS AND DUE DILIGENCE.

(a) During the period commencing on the date hereof (the "**Effective Date**") and continuing until the Closing Date or earlier termination of this Agreement, Purchaser may continue to conduct its review and due diligence of, and physically inspect, as applicable, the Properties in accordance with this Section 3. Purchaser and its agents, employees, consultants, inspectors, appraisers, engineers and contractors (collectively "**Purchaser's Representatives**") shall have the right, through the Closing Date, from time to time, upon the advance notice required and subject to the limitations described in Section 3(c), to (i) enter upon and pass through the Properties during normal business hours to examine and inspect the same and (ii) review, copy and inspect all books, records and financial statements of the Seller relating to the Properties. In the event that the Closing hereunder shall not occur for any reason whatsoever, Purchaser shall promptly return to Seller copies of all due diligence materials delivered by Seller to Purchaser and shall destroy all copies and abstracts thereof.

(b) In conducting the inspection of the Properties and its due diligence review, Purchaser shall at all times comply with all applicable federal, state, county, parish and municipal constitutions, laws, statutes, codes, regulations, rules, ordinances, awards, decisions, injunctions, judgments, writs, decrees, orders, rulings, subpoenas, verdicts, regulations, principles of common law, or treaty guidelines ("**Legal Requirements**"), and neither Purchaser nor any of Purchaser's Representatives shall (i) except as set forth in Section 3(c), contact or have any discussions with any of Seller's, Master Tenant's, or Master Tenant's property manager's employees or representatives (other than Seller's attorneys), or with any tenants at, or contractors providing services to, any of the Properties, unless in each case Purchaser obtains the prior written consent of Seller, which consent shall not be unreasonably withheld, conditioned or delayed, it being agreed that (x) all such contacts or discussions shall, pending any such reasonable approval, be directed to Alexander Brooks, abrooks@cscapitaladvisors.com, (212) 446-9175, and subsequent to such approval shall only be conducted if a representative of Seller is included in such contact and/or discussion, and (y) under no circumstances will Purchaser have the right to communicate with residents at any Property, (ii) unreasonably interfere with the business of Seller or Master Tenant (or any of their tenants) conducted at any of the Properties or unreasonably disturb the use or occupancy of any occupant of any of the Properties or (iii) damage any of the Properties. In conducting the foregoing inspection or otherwise accessing the Properties, Purchaser and Purchaser's Representatives shall at all times comply with, and shall be subject to, the rights of the Master Tenant under the Master Lease, any tenants under any Leases, and the residents under the Residency Agreements (and any Persons claiming under or through such Persons). Seller may from time to time establish reasonable rules of conduct for Purchaser and Purchaser's Representatives in furtherance of the foregoing. Purchaser shall schedule and coordinate all inspections, including, without limitation, any environmental tests, and/or discussions or communications as described above, with Seller and shall give Seller at least forty-eight (48) hours' prior notice thereof. Seller shall be entitled to have a representative present at all times during each such inspection, other access or contact and/or discussion. Purchaser shall pay to Seller promptly upon written demand all costs and expenses of repairing and restoring any damage or disturbance that Purchaser or Purchaser's Representatives cause to any of the Properties. Purchaser and Purchaser's Representatives shall not be permitted to take soil or ground water samples or to conduct borings of any of the Properties or drilling in or on any of the Properties, or any other invasive testing, in connection with the preparation of an

environmental audit or in connection with any other inspection of the Properties without the prior written consent of Seller other than (A) customary "Phase I" environmental review and testing (which the parties hereby agree does not constitute an "invasive test") and (B) if any environmental condition or concern is noted by any such "Phase I" environmental review, then a customary "Phase II" environmental test or review in accordance with the recommendation of such "Phase I" (with respect to which Seller's consent shall not be unreasonably withheld, conditioned or delayed). Any liens against the Properties, or any portion thereof, arising from the performance of services by Purchaser or any of Purchaser's Representatives in connection with Purchaser's due diligence activities shall be removed by Purchaser as promptly as practicable and in any event not later than fifteen (15) days after Purchaser shall have been notified in writing of the filing of such liens. The provisions of this Section 3(b) shall survive the Closing or any termination of this Agreement for a period of nine (9) months.

(c) Purchaser shall not initiate any communications with any person who at the time of such communication is a resident, tenant or other occupant (or their representatives) of any Property or a provider of goods or services to Seller or any Property or any employee of Seller or Seller's property manager, without the prior authorization of Seller, which authorization may be granted or withheld in Seller's sole discretion. Notwithstanding the foregoing, Purchaser and Purchaser's Representatives shall be permitted (i) to conduct direct communications with senior executive management of Seller's property manager, Watermark Retirement Communities, LLC ("**WRC**") (which senior executive management consists, on the date hereof, of David Freshwater, David Barnes, Bryan Schachter, Ben Scoll, Greta Frazier, Misty Hansen, Karen Mlawsky, Paul Farrugia, and Richard Howell), and (ii) to conduct interviews with the executive director, director of marketing, and director of maintenance of each Property; provided, in the case of the foregoing clause (ii), that (A) such interviews shall be coordinated through Seller (as provided in Section 3(b)) and WRC's senior executive management and (ii) Seller and WRC shall have the right to have a representative present during all such interviews.

(d) Prior to conducting any physical inspection or testing at any of the Properties, including without limitation, boring, drilling and sampling of soil or ground water, Purchaser shall obtain, and during the period of such inspection or testing shall maintain, at its expense, commercial general liability insurance, including a contractual liability endorsement, and personal injury liability coverage, with Seller and its managing agent, if any, and any other entity reasonably designated by Seller in writing, as additional insureds, from an insurer reasonably acceptable to Seller, which insurance policies must have limits for bodily injury and death of not less than Three Million and 00/100 Dollars ($3,000,000.00) for any one occurrence and not less than Three Million and 00/100 Dollars ($3,000,000.00) for property damage liability for any one occurrence. Prior to making any entry upon any of the Properties, Purchaser shall furnish to Seller a certificate of insurance evidencing the foregoing coverages. The provisions of this Section 3(d) shall survive the Closing or any termination of this Agreement.

(e) Purchaser shall indemnify, defend and hold Seller and the other the Seller Parties free and harmless from any loss, injury, damage, claim, lien, cost or expense (including reasonable out of pocket attorneys' fees and costs of outside counsel) (collectively "**Losses**") arising out of any access to, or inspection of, the Properties, or any tests, inspections or other due diligence conducted by or on behalf of Purchaser (whether or not the same occurred prior to the Effective Date); provided, that such obligations shall not cover any Losses that (i) are caused

solely by any action, omission or negligence of a Seller Party, or (ii) arise out of defects, the displacement or disturbance of hazardous materials not placed on a Property by Purchaser or any of Purchaser's Representatives, or the discovery of pre-existing conditions so long as Purchaser and Purchaser's Representatives take reasonable steps not to exacerbate such condition once discovered by Purchaser or Purchaser's Representatives. Losses shall not include any consequential, special or punitive damages or lost profits (except to the extent the applicable indemnified party is liable to a third party for the same). The provisions of this Section 3(e) shall survive the Closing or any termination of this Agreement for a period of nine (9) months.

4. PURCHASE PRICE AND DEPOSIT.

(a) Subject to adjustment pursuant to the express provisions of this Agreement, the aggregate purchase price for the Properties (the "**Purchase Price**") is Five Hundred Eighty Million and 00/100 Dollars ($580,000,000.00), which shall be allocated among each Property and any Personalty in accordance with Schedule 4(a), and subject to apportionment as provided in Section 7, payable in cash. At the Closing, Purchaser shall deliver to Seller the Purchase Price as adjusted pursuant to Sections 7 and 11.

(b) Within two (2) business days following the Effective Date, Purchaser shall deliver the sum of Fifteen Million and 00/100 Dollars ($15,000,000.00) (the "**Deposit**") to Fidelity National Title Insurance Company, as escrow agent (in such capacity, the "**Escrow Agent**"). In the event Purchaser fails for any reason to deliver the Deposit to the Escrow Agent when and as required hereunder, at Seller's option, exercisable by notice to Purchaser, this Agreement shall terminate and be null and void, and no party shall have any further obligation to the other except for obligations which expressly survive the termination hereof.

(c) The Deposit shall be held and applied by Escrow Agent in accordance with the applicable terms and conditions of this Agreement and the following:

(i) Upon receipt by Escrow Agent of the Deposit or any portion thereof, Escrow Agent shall cause the same to be deposited into a commingled trust account and shall invest the Deposit in an interest bearing, federally insured account as directed by Purchaser and reasonably acceptable to Seller upon receipt of a Form W-9, it being agreed that Escrow Agent shall not be liable for (y) any loss of such investment (unless due to Escrow Agent's gross negligence, willful misconduct or breach of this Agreement) or (z) any failure to attain a favorable rate of return on such investment. A Form W-9 must be completed and executed by either Purchaser or Seller, as the case may be, concurrently with the execution of this Agreement. The failure to submit to Escrow Agent an executed, completed Form W-9 shall stay Escrow Agent's obligation to deposit the escrow in either a segregated account or an interest bearing account until such time that said form has been provided to Escrow Agent. The party providing the Form W-9 shall receive a 1099 for the interest on the Deposit regardless of which party actually receives the interest on the Deposit. Escrow Agent shall deliver the Deposit to Seller or to Purchaser, as the case may be, under the following conditions:

(1) The Deposit shall be delivered to Seller at the Closing upon receipt by Escrow Agent of a statement executed by Seller and Purchaser authorizing the Deposit to be released; or

(2) The Deposit shall be delivered to Seller following receipt by Escrow Agent of written demand therefor from Seller stating that Purchaser has defaulted in the performance of its obligations under this Agreement, provided Purchaser shall not have given written notice of objection in accordance with the provisions set forth below; or

(3) The Deposit shall be delivered to Purchaser following receipt by Escrow Agent of written demand therefor from Purchaser stating that Seller has defaulted in the performance of its obligations under this Agreement or that this Agreement was terminated under circumstances entitling Purchaser to the return of the Deposit, and specifying the Section of this Agreement which entitles Purchaser to the return of the Deposit, in each case provided Seller shall not have given written notice of objection in accordance with the provisions set forth below; or

(4) The Deposit shall be delivered to Purchaser or Seller as directed by joint written instructions of Seller and Purchaser.

(ii) Upon the filing of a written demand for the Deposit by Seller or Purchaser, pursuant to subsection (2) or (3) above, Escrow Agent shall promptly give notice thereof (including a copy of such demand) to the other party. The other party shall have the right to object to the delivery of the Deposit, by giving written notice of such objection to Escrow Agent at any time within ten (10) days after such party's receipt of notice from Escrow Agent, but not thereafter. Such notice shall set forth the basis (in reasonable detail) for objecting to the delivery of the Deposit. Upon receipt of such notice of objection, Escrow Agent shall promptly give a copy of such notice to the party who filed the written demand. If Escrow Agent shall have timely received such notice of objection, then Escrow Agent shall continue to hold the Deposit, until (x) Escrow Agent receives joint written notice from Seller and Purchaser directing the disbursement of the Deposit, in which case Escrow Agent shall then disburse the Deposit, in accordance with said direction, or (y) litigation is commenced between Seller and Purchaser, in which case Escrow Agent shall deposit the Deposit with the clerk of the court in which said litigation is pending, or (z) Escrow Agent takes such affirmative steps as Escrow Agent may reasonably elect, at Escrow Agent's option, in order to terminate Escrow Agent's duties hereunder, including but not limited to depositing the Deposit in court and commencing an action for interpleader, the costs thereof to be borne by whichever of Seller or Purchaser is the losing party in such interpleader action, as determined by a final non-appealable order of such court.

(iii) Escrow Agent may rely and act upon any instrument or other writing reasonably believed by Escrow Agent to be genuine and purporting to be signed and presented by any Person or Persons purporting to have authority to act on behalf of Seller or Purchaser, as the case may be, and shall not be liable in connection with the performance of any duties imposed upon Escrow Agent by the provisions of this Agreement, except for Escrow Agent's own gross negligence, willful misconduct or beach of this Agreement. Escrow Agent shall have no duties or responsibilities except those set forth herein. Escrow Agent shall not be bound by any modification, cancellation or rescission of this Agreement unless the same is in writing and signed by Purchaser and Seller, and, if Escrow Agent's duties hereunder are affected, unless Escrow Agent shall have given prior written consent thereto. Escrow Agent shall be reimbursed by Seller and Purchaser for any expenses (including reasonable legal fees and

disbursements of outside counsel), including all of Escrow Agent's fees and expenses with respect to any interpleader action incurred in connection with this Agreement, and such liability shall be joint and several; provided, that, as between Purchaser and Seller, the prevailing party in any dispute over the Deposit shall be entitled to reimbursement by the losing party of any such expenses paid to Escrow Agent. In the event that Escrow Agent shall be uncertain as to Escrow Agent's duties or rights hereunder, or shall receive instructions from Purchaser or Seller that, in Escrow Agent's opinion, are in conflict with any of the provisions hereof, Escrow Agent shall hold the Deposit and may decline to take any other action, unless directed in a joint written notice from Purchaser and Seller. After delivery of the Deposit in accordance herewith, Escrow Agent shall have no further liability or obligation of any kind whatsoever.

(iv) Escrow Agent shall have the right at any time to resign upon ten (10) business days' prior notice to Seller and Purchaser. Seller and Purchaser shall jointly select a successor Escrow Agent and shall notify Escrow Agent of the name and address of such successor Escrow Agent within ten (10) business days after receipt of notice of Escrow Agent of its intent to resign. If Escrow Agent has not received notice of the name and address of such successor Escrow Agent within such period, Escrow Agent shall have the right to select on behalf of Seller and Purchaser a bank or trust company licensed to do business in the State of New York and having a branch located in New York County to act as successor Escrow Agent hereunder. At any time after the ten (10) business day period, Escrow Agent shall have the right to deliver the Deposit to any successor Escrow Agent selected hereunder, provided such successor Escrow Agent shall execute and deliver to Seller and Purchaser an assumption agreement whereby it assumes all of Escrow Agent's obligations hereunder. Upon the delivery of all such amounts and such assumption agreement, the successor Escrow Agent shall become the Escrow Agent for all purposes hereunder and shall have all of the rights and obligations of the Escrow Agent hereunder, and the resigning Escrow Agent shall have no further responsibilities or obligations hereunder.

(v) Seller and Purchaser each hereby agrees to severally (but not jointly) indemnify, defend and hold harmless Escrow Agent from and against fifty percent (50%) of any and all loss, cost, damage, expense and reasonable out-of-pocket attorneys' fees and expenses actually incurred by Escrow Agent arising out of it acting as the Escrow Agent hereunder, other than to the extent arising from Escrow Agent's gross negligence, willful misconduct or breach of this Agreement.

(vi) The interest earned on the Deposit shall be paid to the party entitled to receive the Deposit as provided in this Agreement. Purchaser shall receive a credit against the Purchase Price with respect to any such interest paid to Seller at Closing. The party receiving such interest (including Purchaser if it receives a credit on account of same against the Purchase Price as aforesaid) shall pay any income taxes thereon. The taxpayer identification numbers of Seller and Purchaser shall be provided to Escrow Agent by such party upon request.

(vii) The provisions of this Section 4(c) shall survive the Closing or termination of this Agreement.

(d) All interest earned on the Deposit shall be deemed included in the "**Deposit**" for all purposes of this Agreement.

(e) In the event the Closing occurs, the entire Deposit shall be applied against the Purchase Price payable at the Closing, and Purchaser shall receive a credit therefor.

(f) The Deposit shall be non-refundable to Purchaser, except as expressly provided in this Agreement. The Deposit shall be applied to the Purchase Price on the Closing Date.

(g) Seller and Purchaser hereby acknowledge and agree that, notwithstanding anything in this Agreement to the contrary, the sum of ONE HUNDRED DOLLARS ($100.00) of the Deposit (the "**Independent Consideration**") shall be paid to Seller if this Agreement is terminated for any reason. Seller and Purchaser further acknowledge and agree that the Independent Consideration has been bargained for and agreed to as consideration for Seller's execution and delivery of this Agreement.

(h) Upon the disbursement of the Deposit to Purchaser or Seller as provided herein in connection with any termination of this Agreement, this Agreement shall be null and void, and no party shall have any further obligation to the other except for those obligations which expressly survive termination of this Agreement.

(i) All monies payable by Purchaser under this Agreement, unless otherwise specified in this Agreement, shall be paid by Purchaser causing such monies to be wire transferred in immediately available federal funds at such bank account or accounts, and divided into such amounts, designated by Seller to Purchaser in writing at least two (2) business days prior to the date such funds are required to be paid as may be required to facilitate the consummation of the transactions contemplated by this Agreement.

(j) As used in this Agreement, the term "business day" shall mean every day other than Saturdays, Sundays, all days observed by the federal or New York State government as legal holidays and all days on which commercial banks in New York State are required by law to be closed.

(k) Any reference in this Agreement to a "day" or a number of "days" (other than references to a "business day" or "business days") shall mean a calendar day or calendar days, provided that if the calendar day or last calendar day to perform any act or give any notice or approval shall fall on a calendar day that is not a business day, such act or notice may be timely performed or given on the next succeeding business day.

5. STATUS OF TITLE. Subject to the terms and provisions of this Agreement, at Closing, title to the Properties shall be subject only to the following (collectively, the "**Permitted Encumbrances**"):

(a) matters disclosed in the Proforma Title Policies;

(b) all matters created or consented to by Purchaser;

(c) subject to Section 6(a)(iii), any state of facts shown on the Survey;

(d) property taxes which are not yet delinquent, subject to adjustment as set forth herein;

(e) any laws, rules, regulations, statutes, ordinances, orders or other legal requirements affecting any of the Properties, as the same now exist or may be hereafter modified, supplemented or promulgated, including, without limitation, all zoning, land use, building and environmental laws, rules, regulations, statutes, ordinances, orders or other legal requirements, including landmark designations and all zoning variances and special exceptions;

(f) subject to adjustment as set forth herein, all presently existing and future liens of real estate assessments and water rates, water meter charges, water frontage charges and sewer taxes, rents and charges, if any, for the current year and affecting any of the Properties or any portion thereof; provided, that such items are not due and payable as of the Closing Date; and

(g) except for Seller Exceptions (as defined below), such matters as the Title Company shall be willing, without special or additional premium or other cost to Purchaser, to omit as exceptions to coverage in the applicable Title Policy or to affirmatively insure over in a manner reasonably acceptable to Purchaser with respect to the Title Policy.

6. TITLE INSURANCE; LIENS.

(a) (i) As of the Effective Date, Seller has provided to Purchaser (or Purchaser has otherwise obtained) (x) surveys of each of the Properties (collectively, the "**Initial Surveys**") and (y) zoning reports for each of the Properties (collectively, the "**Initial Zoning Reports**"). Purchaser has ordered title commitments for each of the Properties (collectively, the "**Initial Title Commitments**"), issued by Fidelity National Title Insurance Company (the "**Title Company**"), copies of which it has delivered to Seller or Seller's attorney. As of the Effective Date, Purchaser has received a pro forma title insurance policy issued by the Title Company for each Property in the forms posted to the Data Site in folder 10.23 "Proforma Title Policies" (the "**Proforma Title Policies**"). Purchaser acknowledges that Purchaser has reviewed the Initial Title Commitments, Initial Surveys and Initial Zoning Reports provided by Seller prior to the Effective Date. Purchaser further acknowledges that Purchaser has reviewed the Proforma Title Policies and Purchaser does not object to any exceptions or matters shown in any Proforma Title Policies and agrees that all such matters and exceptions shall constitute Permitted Encumbrances. In the event that Purchaser elects to have a new or updated survey of any Property performed (together with the Initial Surveys, the "**Survey**"), it shall deliver a copy thereof to Seller within five (5) days of receipt of any such Survey.

(ii) Intentionally omitted.

(iii) Purchaser shall direct the Title Company to deliver a copy of any updates to the Initial Title Commitments obtained by Purchaser to Seller or Seller's attorney simultaneously with its delivery of the same to Purchaser or Purchaser's attorney. If, prior to the Closing Date, the Title Company shall deliver any update to the Initial Title Commitments or Purchaser shall receive an updated Survey which, in either case, discloses additional liens, encumbrances or other title exceptions which (A) were not disclosed by the Initial Title Commitments or Initial Surveys, and (B) do not otherwise constitute Permitted Encumbrances

hereunder (each, an "**Update Exception**"), then Purchaser shall have until the earlier of (y) ten (10) business days after delivery of such update to Purchaser or (z) the business day immediately preceding the Closing Date (the "**Update Objection Deadline**") to deliver written notice to Seller objecting to any of the Update Exceptions (the "**Update Objections**"). If Purchaser fails to deliver such objection notice by the Update Objection Deadline, Purchaser shall be deemed to have waived its right to object to any Update Exceptions (and the same shall not constitute Update Objections, but shall instead be deemed Permitted Encumbrances). If Purchaser shall deliver such objection notice by the Update Objection Deadline, any Update Exceptions which are not objected to in such notice shall not constitute Update Objections, but shall be Permitted Encumbrances. Notwithstanding the foregoing, all Seller Exceptions shall automatically be Update Objections without Purchaser's being required to notify Seller of its objection to same.

(iv) Intentionally omitted.

(b) If Seller is unable to eliminate the Update Objections (other than the Seller Exceptions) by the Scheduled Closing Date, unless the same are waived by Purchaser without any abatement in the Purchase Price, Seller may, from time to time, upon at least five (5) business days' prior notice to Purchaser (except with respect to matters first disclosed during such five (5) business day period, as to which matters notice may be given at any time through and including the Scheduled Closing Date) adjourn the Scheduled Closing Date for a period not to exceed forty-five (45) days in the aggregate (the "**Title Cure Period**"), in order to attempt to eliminate such exceptions. If Seller is unable or unwilling to eliminate any Update Objection (other than Seller Exceptions) as of the Closing Date (or otherwise cause the Title Company to remove such Update Objection as an exception to title from the applicable Title Policy), then Purchaser shall have the right, in its sole discretion, to (i) terminate this Agreement by written notice given to Seller within ten (10) days following expiration of the Title Cure Period or (ii) close the transactions contemplated hereunder. If Purchaser shall fail to deliver the termination notice described within the ten (10) day period described above, Purchaser shall be deemed to have made the election under clause (ii). Upon any termination of this Agreement pursuant to this clause (b), Escrow Agent shall promptly deliver the Deposit to Purchaser and neither Seller nor Purchaser shall have any further rights or obligations hereunder, except those arising under provisions of this Agreement that expressly survive the termination hereof.

(c) It is expressly understood that, except as expressly provided in this Section 6(c) or elsewhere in this Agreement, in no event shall Seller be required to bring any action or institute any proceeding, or to otherwise incur any costs or expenses in order to attempt to eliminate any Update Objections, or take any other actions to cure or remove any Update Objections, or to otherwise cause title to any of the Properties to be in accordance with the terms of this Agreement on the Closing Date. Notwithstanding anything in this Section 6 to the contrary, Seller shall be required to cause to be released, satisfied and otherwise removed of record as of the Closing Date, and shall have no right to adjourn the Scheduled Closing Date to do so, any Update Objections which are (collectively, the "**Seller Exceptions**"): (i) voluntarily recorded by Seller or otherwise placed or permitted to be placed by Seller against any of the Properties on or following the date hereof (other than with the prior written approval of Purchaser), (ii) voluntarily recorded by Seller or otherwise placed or permitted to be placed by Seller against any of the Properties prior to the date hereof consisting of mortgages, deeds of trust, security agreements, financing statements or other instruments which evidence or secure

indebtedness, (iii) tax liens, real estate taxes, water rates and charges and sewer rents and taxes, each of which remain unpaid or of record as of the Closing Date, to the extent any of the foregoing are not the obligation of a resident under the Residency Agreements, (iv) mechanics' and materialmans' liens for unpaid work performed by or on behalf of any Seller, (v) any judgment lien against Seller that is filed, recorded or is otherwise a lien against the Property and (vi) any other lien not covered by sub-clauses (i)–(v) above that can be satisfied and discharged of record by the payment of a liquidated sum not in excess of Two Hundred Thousand and 00/100 Dollars ($200,000.00) in the aggregate for all such Update Objections. If Seller shall fail to cure any Seller Exception set forth in the foregoing sub-clauses (i), (iii), (iv) or (vi) prior to Closing, and the same can be removed of record by the payment of a liquidated sum, Purchaser shall have the right to elect to close the transactions contemplated hereunder and receive a credit against the Purchase Price equal to the aggregate out-of-pocket cost reasonably necessary to remove such Seller Exception of record.

(d) If Seller shall have adjourned the Scheduled Closing Date in order to cure Update Objections in accordance with the provisions of this Section 6, Seller shall, upon the satisfactory cure thereof, notify Purchaser (such notice being, the "**New Closing Notice**") and Purchaser and Seller shall promptly reschedule the Scheduled Closing Date to a date that is at least ten (10) days and not more than thirty (30) days after the earlier of Purchaser's receipt of the New Closing Notice and the expiration of the Title Cure Period; it being agreed, however, that if any Update Objections arise between the date the New Closing Notice is given and the rescheduled Scheduled Closing Date, Seller may again adjourn the Closing for a reasonable period or periods, in order to attempt to cause such exceptions to be eliminated; provided, that Seller shall not be entitled to adjourn the new Scheduled Closing Date pursuant to this Section 6 for a period or periods in excess of forty-five (45) days in the aggregate.

(e) At or prior to the Closing, Seller shall deliver to the Title Company such affidavits, certificates, other instruments and documentary evidence as are reasonably requested by the Title Company, including, without limitation, such affidavits and indemnities related to matters which are (1) known to Seller and (2) within Seller's control (collectively, the "**Title Affidavit**"). For the avoidance of doubt, Seller shall not be required to deliver any affidavits or indemnities related to work, repairs, violations or other matters solely within the control of Master Tenant with respect to the Properties.

7. APPORTIONMENTS. With respect to each JV Property, all revenues and expenses related to the JV Property operations accruing or relating to the period up to and including 11:59 p.m. (New York time) on the day immediately preceding the Closing Date ("**Cut-Off Time**") shall belong to the applicable Seller. All revenues and expenses from JV Property operations accruing or relating to the period after the Cut-Off Time shall belong to Purchaser. Without limiting the foregoing, the following shall apply:

(a) With respect to each JV Property, all non-delinquent *ad valorem* real property and personal property general and special taxes and assessments for such Property for the current assessment year of the applicable taxing authority in which the Closing Date occurs shall be prorated between the applicable Seller and Purchaser as of the Closing Date, based on their respective days of ownership of such Property during such assessment year. If the exact amount of taxes is not known at Closing, the proration will be based on an amount equal to

100% of the prior assessment year's taxes and shall be adjusted and reconciled directly between the applicable Seller and Purchaser once actual figures become available after Closing. All such prorations shall be made with due allowance for the maximum allowable discount and exemptions. Purchaser shall assume all obligations accruing from and after the Closing Date with respect to any agreements relating to the appealing of real estate taxes or real estate tax assessments, including the obligation to pay portions of amounts of real estate tax savings and costs and expenses related thereto. With respect to each JV Property, Purchaser shall be solely responsible for, and shall report and pay, all state and local sales or use taxes imposed in connection with the sale and transfer of any Personalty. Any state or local sales and use taxes, or other transfer taxes, registration, title or other fees payable in connection with registering or titling of any vehicle shall be the responsibility of Purchaser.

(b) With respect to each JV Property, rents and other payments under the Residency Agreements, the Leases (including, without limitation, the Boca Ciega Bay Lease and the NY Subleases), and other proceeds of the ownership and operations of such JV Property (collectively, "**Rents**") collected prior to Closing with respect to the month in which the Closing occurs shall be prorated based upon the actual number of days in such month. Any payments of Rents collected by the parties hereto after the Closing who owe Rents for periods prior to the Closing Date shall be applied to Rents then due and payable in the following order of priority: (i) first, in payment of Rents for the month in which the Closing Date occurs, with such amounts being prorated between Seller and Purchaser based upon the number of days each owned the applicable JV Property during the month in which the Closing occurs; (ii) second, in payment of Rents for the month immediately preceding the month in which the Closing occurs; (iii) third, in payment of Rents for any month which commenced after the Closing, but only to the extent payments of rents for such month are then currently due; and (iv) fourth, in payment of Rents for months preceding the month in which the Closing occurs. Each of the parties hereto shall be obligated to pay over to the other party any Rents collected to which the other is entitled pursuant to the terms of this Agreement. For a period of one hundred eighty (180) days after Closing, Purchaser shall use commercially reasonable efforts (but shall not be obligated to institute legal proceedings) to collect and remit to Seller the Rents for each JV Property with respect to all periods prior to the Closing. Following the Closing, Seller shall have the right to pursue remedies against any resident or tenant of the JV Properties with respect to pre-Closing deficiencies in payment of Rents.

(c) With respect to each JV Property, the applicable Seller shall request each utility company providing utility service to the applicable JV Property to cause all utility billings to be closed and billed as of the Closing Date in order that utility charges may be separately billed for the period prior to the Closing Date and the period on and after the Closing Date. In the event any such utility charges are not separately billed, the same shall be prorated. In connection with any such proration, it shall be presumed that utility charges were uniformly incurred during the billing period in which the Closing Date occurs. Each Seller shall receive a credit at Closing for any deposits made by Seller in connection with providing water, sewer, gas, electricity, telephone and other public utilities to the JV Property with respect to its respective JV Property that are transferred or made available to Purchaser.

(d) With respect to each JV Property, all obligations and liabilities (for services and materials ordered, or otherwise in the ordinary course of business) and accounts

payable for the JV Property owing as of the Closing Date for merchandise, equipment, supplies and other materials and services paid, incurred or ordered shall be prorated between the applicable Seller and Purchaser as of the Closing Date.

(e) Except as covered by the terms of Section 7(a) above, with respect to each JV Property, all water and sewer charges, taxes (other than *ad valorem* real property or business personal property taxes), including license taxes or fees for licenses which are assignable or transferable without added cost and have a value which will survive Closing, and any unpaid taxes payable in arrears, shall be prorated as of the Closing Date. Each Seller will be credited for that portion of taxes and fees paid by such Seller allocable to the period after the Closing Date.

(f) With respect to each JV Property, all payments and receipts, as applicable, under the assumed Contracts shall be prorated between Purchaser and the applicable Seller as of the Closing Date. The applicable Seller shall receive a credit for all prepayments and deposits thereunder.

(g) With respect to each JV Property, all other income derived by the applicable Seller from the JV Property accruing or relating to the period up to and including the Cut-Off Time shall be paid to such Seller. All other income derived by such Seller from the JV Property accruing or relating to the period on and after the Cut-Off Time shall be paid to Purchaser.

(h) With respect to each JV Property, all other expenses and obligations not otherwise specified in this Section 7 incurred in the ownership of the JV Property and operation of the JV Property and which are customarily prorated in similar transactions shall be prorated between the applicable Seller and Purchaser as of the Closing Date.

(i) With respect to each JV Property, Purchaser shall receive a credit for any refundable security deposits (and if legal requirements or any agreements require a landlord to be accountable for interest on such refundable security deposits, any accrued interest owed thereon), which credit shall be applied against the allocated Purchase Price for the JV Property at which there exist prepaid rents and other resident charges or refundable security deposits.

(j) Except as set forth in Section 8(a)(xv), Seller shall have no obligation to remove any notes or notices of violations of law, or municipal ordinances, orders, designations or requirements whatsoever noted in or issued by any federal, state, municipal or other governmental department, agency or bureau or any other governmental authority having jurisdiction over the Properties (collectively, "**Violations**"); provided, that (i) at or prior to Closing, either (A) Seller shall pay or bond all monetary fines, fees or penalties accruing prior to the Closing Date with respect any such Violations or (B) Purchaser shall receive a credit for any such monetary fines, fees or penalties accruing prior to the Closing Date with respect any such Violations that remain unpaid, and (ii) notwithstanding the foregoing, Seller shall be obligated to continue to perform, or cause to be performed, routine maintenance and repair of the Properties as and to the extent required pursuant to clause (i), (ii) or (iii) (as applicable) of Section 8(a).

(k) Salaries, wages and benefits (accrued and unpaid employee benefits, vacation time, and personal days) with respect to the then-current employees ("**Facility Employees**") of Seller or WRC at each JV Property shall be prorated between Seller and

Purchaser as of the Closing Date. On the Closing Date, Seller shall credit Purchaser on the Closing Statement (and Purchaser or New Operator shall, or shall cause WRC to, assume responsibility) for estimated accrued and unpaid employee benefits, vacation time, and personal days for all Facility Employees, based on the accrued amount calculated by Seller for the Property as of the Closing Date ("**Accrued PTO**"). Purchaser shall apply, or cause WRC to apply, any such Accrued PTO for which it has received a credit pursuant to this Section 7(k) to its intended purpose for the benefit of each applicable Facility Employee. Solely as between Seller and Purchaser, Purchaser shall be responsible for any severance pay due to any Facility Employees who Purchaser or New Operator or WRC elects to terminate on or after the Closing Date.

(l) With respect to each JV Property and each Master Lease Property, Seller shall receive a credit at Closing in the amount of any required reserves, escrows or other deposits maintained pursuant to any Law by or on behalf of any Seller, Master Tenant, or any of their respective affiliates, in each case as security for the operation of the applicable Property(ies) or obligations of the licensed operator thereof (the "**Regulatory Deposits**"). Purchaser shall not receive any credits hereunder in connection with any Regulatory Deposits made or required to be made in connection with obtaining any Licensure Approvals.

(m) At the Closing (or thereafter as provided in this Section 7(m)): (i) Purchaser shall receive a credit in the aggregate amount of $318,000 on account of the expected removal and/or remediation of underground storage tanks at certain of the Properties; (ii) within one hundred eighty (180) days after Closing, Seller shall reimburse Purchaser for all costs incurred by Purchaser, as reasonably determined by Purchaser and Seller based upon the written estimates obtained by Seller and/or Purchaser, to remediate certain moisture issues, including repair of any foundational cracks or leaks causing such issues, at certain of the Properties (provided, that such amount shall not to exceed $1,000,000); (iii) Purchaser shall receive a credit in the amount by which Seller's aggregate capital expenditures for all Properties (excluding any capital expenditures on unit renovations at the Master Lease Properties) from January 1, 2021 until October 31, 2021 is less than, or Seller shall receive a credit in the amount by which such aggregate capital expenditures exceed, in each case, Seller's budgeted aggregate capital expenditures for all Properties (excluding any capital expenditures on unit renovations at the Master Lease Properties) for calendar year 2021 prorated through October 31, 2021; and (iv) within ninety (90) days after Closing, in the event that the amount by which Seller's aggregate capital expenditures for all Properties (excluding any capital expenditures on unit renovations at the Master Lease Properties) from November 1, 2021 until the Closing Date is more or less than Seller's budgeted aggregate capital expenditures for all Properties (excluding any capital expenditures on unit renovations at the Master Lease Properties) for such period, Seller and Purchaser shall prorate such amounts and, if the amount actually spent is less than the budgeted amount, Seller shall pay Purchaser an amount equal to the difference and, if the amount actually spent by Seller is greater that the budgeted amount, Purchaser shall pay Seller an amount equal to the difference; provided, that in the case of the foregoing clauses (iii) and (iv) that neither party shall receive any credit or payment thereunder unless the amount of such difference is equal to or exceeds $250,000, and Seller shall not be entitled to a credit or payment thereunder for any non-emergency capital expenditure in excess of $250,000 in the aggregate unless Purchaser has approved in writing such capital expenditure prior to Seller having incurred such capital expenditure.

(n) Except as otherwise expressly provided in this Agreement, all apportionments and adjustments shall be made in accordance with generally accepted accounting principles. The computation of the adjustments shall be jointly prepared by Seller and Purchaser. In the event any prorations or apportionments made under this Section 7 shall prove to be incorrect for any reason, then any party shall be entitled to an adjustment to correct the same in accordance with the remaining terms of this Section 7(n). To the extent the exact amount of any adjustment item provided for in this Section 7 cannot be precisely determined on the Closing Date, such prorations and apportionments shall be tentatively prorated on the basis of the best data then available and re-prorated when the information is available. Notwithstanding the foregoing, any adjustment or re-proration pursuant to the two immediately preceding sentences shall be made, if at all, within ninety (90) days after the Closing Date (except with respect to taxes and assessments, in which case such re-proration shall be made within sixty (60) days after the information necessary to perform such re-proration is available). All payments to be made as a result of the final results of the adjustments shall be paid to the party entitled to the same within fifteen (15) days after the final determination thereof. Seller and Purchaser agree that none of the insurance policies relating to any Property will be assigned to Purchaser (and each Seller shall pay any cancellation fees or minimum earned premiums resulting from the termination of the policies relating to its respective Property), and Purchaser shall be responsible for arranging for its own insurance as of the Closing Date.

(o) On the Closing Date, the Seller will provide to Purchaser a true, correct, and complete accounting (properly reconciled) of all resident trust funds, resident security deposits, patient deposits, refundable community fees, or any residents' property that may be held by Seller on the Closing Date for residents at JV Properties ("**Resident Trust Funds**") (which for the avoidance of doubt excludes refundable entrance fees), if any, held by Seller. If applicable, to the extent permitted by applicable Laws, Seller will deliver such Resident Trust Funds to Purchaser within two (2) business days of Closing. Purchaser shall, or shall cause New Operator to, accept such Resident Trust Funds in trust for the residents of the JV Properties and will hold and disperse such Resident Trust Funds in accordance with applicable contractual, statutory and regulatory requirements. Seller will indemnify, defend, and hold the Purchaser harmless from all liabilities, claims and demands, including reasonable attorney's fees, in the event the amount of the Resident Trust Funds, if any, transferred to Purchaser did not represent the full amount of any Resident Trust Funds shown to have been delivered to Seller or its affiliate, as custodian or with respect to any Resident Trust Funds delivered, or claimed to have been delivered, to Seller or its affiliate, but which were not delivered by Seller to Purchaser, or for claims that arise from actions or omissions of Seller with respect to the Resident Trust Funds before the Closing Date. Purchaser will indemnify, defend and hold Seller harmless from all liabilities, claims and demands, including reasonable attorneys' fees, in the event a claim is made against Seller with respect to the Resident Trust Funds with respect to any such funds that are transferred to Purchaser pursuant to this Section 7(o). For the avoidance of doubt, claims made pursuant to the indemnities set forth in this Section 7(o) shall not be subject to the Threshold Amount.

(p) Except as expressly set forth in Section 7(l) and Section 7(m), all apportionments and adjustments with respect to the Master Lease Properties shall be addressed in the OTA, and Seller shall have no obligation for proration of the same. For purposes of this Article 7, each NY Property shall be deemed to constitute a JV Property.

(q) For proration purposes, the day that falls on the Closing Date shall be allocated to Purchaser with respect to both credits and debits as of the Closing Date.

(r) The provisions of this Section 7 shall survive the Closing.

8. COVENANTS.

(a) During the period from the date hereof until the Closing Date or the earlier termination of this Agreement, except as otherwise provided in this Agreement or consented to in writing by Purchaser, Seller shall:

(i) operate each JV Property in the ordinary and prudent course of business consistent with its past practice (including not entering into any Residency Agreements that provide for entrance fees that are not on substantially the same (or better) economic terms for Sellers as Residency Agreements entered into most-recently prior to the Effective Date) in all material respects, and in compliance in all material respects with Legal Requirements;

(ii) with respect to the Master Lease Properties, use commercially reasonable efforts to enforce its rights under the Master Lease to cause Master Tenant to operate the Master Lease Properties in the ordinary course of business consistent with Master Tenant's past practice in all material respects, and in compliance in all material respects with Legal Requirements;

(iii) with respect to the NY Properties, use commercially reasonable efforts to enforce its rights under the NY Subleases to cause NY Subtenant to operate the NY Properties in the ordinary course of business consistent with NY Subtenant's past practice in all material respects, and in compliance in all material respects with Legal Requirements;

(iv) promptly notify Purchaser of any written notice received by Seller of violations, judgments, claims and litigation affecting Seller and/or any of the Properties;

(v) promptly notify Purchaser of, and promptly deliver to Purchaser a copy of, any written notice Seller or any Seller Party actually receives, on or before the Closing, from any Governmental Authority, concerning (A) any citations or deficiencies identified in a survey report or otherwise related to any Property and (B) any alleged violation of Health Care Laws at the Properties that has not been previously disclosed in writing by Seller to Purchaser;

(vi) promptly notify Purchaser of, and promptly deliver to Purchaser a copy of, any written notice Seller or any Seller Party actually receives, on or before the Closing, from any Governmental Authority, concerning any environmental condition affecting any of the Properties or any alleged violation of Environmental Law at the Properties that has not been previously disclosed in writing by Seller to Purchaser;

(vii) with respect to each JV Property, maintain in effect all existing fire and extended coverage insurance, and theft, liability, business interruption and other existing insurance pertaining to such JV Property (or comparable replacements thereof);

(viii) with respect to the Master Lease Properties, use commercially reasonable efforts to enforce its rights under the Master Lease to cause Master Tenant to maintain in effect all existing fire and extended coverage insurance, and theft, liability, business interruption and other existing insurance pertaining to such Master Lease Properties (or replacements thereof that are either comparable or that otherwise comply with Master Tenant's obligations under the Master Lease);

(ix) with respect to the NY Properties, use commercially reasonable efforts to enforce its rights under the NY Subleases to cause NY Subtenant to maintain in effect all existing fire and extended coverage insurance, and theft, liability, business interruption and other existing insurance pertaining to such NY Properties (or replacements thereof that are either comparable or that otherwise comply with NY Subtenant's obligations under the NY Subleases);

(x) with respect to each JV Property, maintain in good standing existing material Licenses and material Operator Licenses or renewals of the same, as necessary to operate each JV Property in substantially the same manner as such JV Property is operated as of the Effective Date;

(xi) with respect to the Master Lease Properties, use commercially reasonable efforts to enforce its rights under the Master Lease to cause Master Tenant to maintain in good standing existing material Licenses and material Operator Licenses or renewals of the same, as necessary to operate each Master Lease Property in substantially the same manner as such Master Lease Property is operated as of the Effective Date;

(xii) with respect to the NY Properties, use commercially reasonable efforts to enforce its rights under the NY Subleases to cause NY Subtenant to maintain in good standing existing material Licenses and material Operator Licenses or renewals of the same, as necessary to operate each NY Property in substantially the same manner as such NY Property is operated as of the Effective Date;

(xiii) deliver to Purchaser a copy of any written notice delivered or received by Seller or any Seller Party under the Master Lease, Operating Leases or Leases (including, without limitation, the Boca Ciega Bay Lease, the Lake Pointe Woods Lease, and the NY Subleases), including any notice which alleges or discloses a default under such leases;

(xiv) prior to Closing, deliver to Purchaser the most current rent roll for each Property, which rent roll shall be as the first (1st) of the month immediately prior to the month in which the Closing occurs;

(xv) with respect to each JV Property, and with respect to the Master Lease Properties and the NY Properties, use commercially reasonable efforts to enforce its rights under the Master Lease and the NY Subleases to cause Master Tenant and NY Subtenant to, (A) diligently and in good faith take and pursue all corrective actions that can be taken in the ordinary course of business prior to the Scheduled Closing Date to correct all operational deficiencies or violations identified by any Governmental Authority in a regulatory investigation or survey under any Health Care Laws prior to the Closing Date, and pay all outstanding governmental penalties relating thereto, or contest in good faith or submit plans of correction intended to correct all operational deficiencies or violations, identified by any Governmental

Authority in a regulatory investigation or survey under any Health Care Laws occurring prior to the Closing Date (it being agreed that Seller shall not have any obligation to make, or to use efforts to enforce its rights to cause Master Tenant and NY Subtenant to make, any capital alterations or improvements at or with respect to any Property other than expenditures for the routine maintenance and repair of the Properties), and (B) use commercially reasonable efforts to finally settle and resolve any reimbursements, audit adjustments, disallowances, or unresolved claims or disputes or other amounts owed or alleged to be owed to any Government Sponsored Health Care Program related to the period prior to the Closing Date; and

(xvi) cooperate in good faith with Purchaser in connection with Purchaser's application (the "**Application**") to the City of Dana Point, California (the "**City**") for the issuance of new certificates of occupancy ("**Certificates of Occupancy**") in the name of PropCo Purchaser covering the entire Property located in Dana Point, California including, without limitation, (A) providing Purchaser, on or before November 8, 2021, with copies of any existing certificate of occupancy for such Property not previously provided to Purchaser which are in Seller's possession or control and such other materials that are in Seller's possession or control and requested by Purchaser which are reasonably necessary for Purchaser to include with the Application, (B) thereafter, providing Purchaser with such additional documentation and information in Seller's possession or control as may be reasonably required by the City in connection with the Application, and (C) cooperating with the City to allow any required inspections of such Property in connection with the City's consideration of the Application.

(b) During the period from the date hereof until the Closing Date, Seller shall not, and with respect to (i) the Master Lease Properties, shall use commercially reasonably efforts to enforce its rights under the Master Lease to cause the Master Tenant to not, and (ii) the NY Properties, shall use commercially reasonably efforts to enforce its rights under the NY Subleases to cause the NY Subtenant to not, in each case, solely to the extent the same would be binding on or affect any of the Properties or any owner thereof after the Closing, without Purchaser's prior written approval:

(i) except in the ordinary course of business, enter into or amend or modify any material contracts (other than the termination of the Operating Leases and the Master Lease at Closing);

(ii) subject any of the Properties, or consent, to any additional liens, encumbrances, covenants, restrictions or easements other than Permitted Encumbrances;

(iii) apply for or consent to any zoning change, variance, subdivision, lot line adjustment or similar change with respect to any of the Properties;

(iv) except in connection with liens that will be released at closing and the use or consumption of Additional Assets in the ordinary course of business, sell or otherwise transfer or encumber any Seller Asset or any interest therein;

(v) enter into, or consent to the entering into, any collective bargaining agreement or similar agreement with respect to union labor at any Property;

(vi) settle any Tax Proceedings;

(vii) commit or agree to take any action that would be reasonably expected to result in any representation or warranty of Seller contained in this Agreement becoming untrue, incorrect or incomplete in any material respect as of the Closing Date; or

(viii) enter into any agreement, commitment or undertaking to do any of the activities prohibited by the foregoing provisions.

(c) Whenever Seller is required to obtain Purchaser's approval with respect to any transaction described therein, Purchaser's consent shall not be unreasonably withheld, and if Purchaser fails to notify Seller of its disapproval within five (5) business days after receipt of Seller's written request therefor, Purchaser shall be deemed to have approved same. Whenever Seller is required to use or exercise commercially reasonable efforts to enforce its rights or cause Master Tenant or NY Subtenant or any other third party to take any action or refrain from taking any action, such efforts shall not include the threat, commencement, institution or prosecution or pursuit (and Seller shall have no obligation hereunder to commence, institute or prosecute or pursue) of any litigation or other legal action or proceeding against such party.

(d) At Closing, with respect to each JV Property, Purchaser shall engage WRC or an affiliate of WRC as its manager for each JV Property and shall cause WRC or such affiliate to retain a sufficient number of Facility Employees at each JV Property so as to avoid liability of Seller under the Worker Adjustment Retraining and Notification Act or any comparable state law in connection with the transactions contemplated under this Agreement.

(e) Regulatory/Licensure Approvals.

(i) Purchaser shall use commercially reasonable efforts to obtain all Licenses and Operator Licenses from applicable Governmental Authorities that are necessary or appropriate for Purchaser or the new operator hired by Purchaser or its affiliates (Purchaser or such new operator, in such capacity, "**New Operator**") to operate each Property, other than the NY Properties, in accordance with all Legal Requirements (including Health Care Laws) (the "**Regulatory Approvals**"), and Seller shall, and shall use commercially reasonable efforts to cause WRC to, reasonably cooperate with Purchaser with respect to Purchaser's efforts to obtain such Regulatory Approvals. Purchaser and Seller shall use commercially reasonable efforts to obtain all licenses and consents from applicable Governmental Authorities that are necessary or appropriate for each of the NY Sublessors to assign their respective NY Sublease to WELL Trevi Tenant. Without limiting the generality of the foregoing, and any contrary provision herein notwithstanding, Purchaser shall use commercially reasonable efforts to complete and promptly submit and/or file, as applicable, following the Effective Date (provided that Seller and WRC have timely provided to Purchaser all required information within their control or possession, as reasonably requested by Purchaser and that has not already been provided to Purchaser or Purchaser's counsel as of the Effective Date), all notices, applications, and other filings required by the applicable Governmental Authorities having jurisdiction over the Regulatory Approvals to obtain the state-issued facility operating licenses identified on Schedule 8(e)(i) in the name of Purchaser or its New Operator sufficient to operate the Properties (other than the NY Properties) in accordance with applicable Legal Requirements (including Health Care Laws) and in the same manner as such Properties were operated immediately prior to the Effective Date (the "**Purchaser Licenses**"). Purchaser shall thereafter use its commercially reasonable efforts to

obtain such Purchaser Licenses. Purchaser shall be responsible for all filing fees associated with such notices, applications, and other filings. Purchaser shall, from time to time, upon request from Seller, advise Seller of the status of Purchaser's efforts to secure the Licensure Approvals (as hereinafter defined).

(ii) The parties hereto hereby acknowledge and agree that, in the event that any Licensure Approval has not been received as of the Scheduled Closing Date, the parties hereto shall proceed with the Closing as scheduled; provided, that with respect to any Property(ies) for which the applicable Licensure Approvals remain outstanding, the parties shall, to the extent permitted under and in accordance with all applicable Legal Requirements, including all Health Care Laws, at Closing, enter into interim management agreements and interim sublease agreements in substantially the forms attached hereto as Exhibit B (the "**Bridging Documents**"), pursuant to which Purchaser, New Operator, or the SNF Subtenants, as applicable, would sublease (or sub-sublease) such Property(ies) to Seller and WRC would continue to manage such Property(ies) on Seller's behalf pending Purchaser's and/or New Operator's receipt of such outstanding Licensure Approval(s) (such arrangements, the "**Bridging Arrangement**"). To the extent required by any applicable Governmental Authority and if not addressed in the notices, applications, and other filings contemplated pursuant to Section 8(e)(i), Purchaser shall (provided that Seller and WRC have timely provided to Purchaser all required information within their control or possession, as reasonably requested by Purchaser and that has not already been provided to Purchaser or Purchaser's counsel as of the Effective Date), complete and promptly following the Effective Date submit and/or file, as applicable, all notices, applications and other filings on Seller's behalf required by the applicable Governmental Authorities in connection with the Bridging Arrangement (such notices, applications and other filings, the "**Bridging Applications**"), and Purchaser shall thereafter use its commercially reasonable, diligent efforts to obtain approval from the Governmental Authorities set forth on Schedule 8(e)(ii) for the Bridging Arrangement (the "**Bridging Approvals**"). Purchaser hereby acknowledges and agrees that, other than the Bridging Approvals set forth on Schedule 8(e)(ii), the Bridging Arrangements do not require any approval or consent whatsoever from a Governmental Authority. Purchaser shall be responsible for all filing fees associated with the Bridging Applications. Purchaser shall, from time to time, upon request from Seller, advise Seller of the status of Purchaser's efforts to obtain the Bridging Approvals.

(iii) For purposes of this Section 8(e), the term "**Licensure Approval**" shall mean the receipt by Purchaser or New Operator of the Purchaser Licenses for the applicable Property (other than the NY Properties) necessary for Purchaser or New Operator to operate such Property in accordance with applicable Legal Requirements (including Health Care Laws) and in the same manner as such Properties were operated immediately prior to the Effective Date from and after Closing or written approval from the applicable Governmental Authority stating that the parties hereto are authorized to consummate the transactions contemplated hereunder with respect to such Property and that such Purchaser License(s) will be issued in due course following such Governmental Authority's receipt of documentation evidencing that the parties hereto have closed on such transactions with respect to such Property and that such Purchaser License(s) shall be effective as of the Closing Date of such closing.

(iv) The parties hereby acknowledge that receipt of Licensure Approval with respect to any Property shall not be a condition to Purchaser's obligation to effect the

Closing, it being agreed that, with respect to each Property, if and to the extent the applicable Licensure Approval has not been obtained, and to the extent permitted under all applicable Legal Requirements, including all Health Care Laws, and subject to the receipt of all Bridging Approvals, the parties shall enter into the Bridging Arrangement pursuant to the Bridging Documents in accordance with the provisions of this Section 8(e).

(v) The provisions of this Section 8(e) shall survive the Closing.

(f) Medicare and Medicaid.

(i) To the extent permitted by applicable Health Care Laws, Seller shall assign and Purchaser may assume Seller's rights and interests in each Property's Provider Agreements effective as of the Transition Date and, if Purchaser does assume such rights and interests under the Provider Agreements, then Purchaser shall assume, and thereafter in due course fully satisfy, those obligations or liabilities under the Provider Agreements arising on or after the Closing Date, provided, that neither Purchaser nor New Operator shall assume any liabilities or obligations of Seller under the Provider Agreements arising or relating to periods prior to the Closing Date, including, without limitation any refunds, repayments or unpaid civil monetary penalties arising or relating to periods prior to the Closing Date.

(ii) Promptly following the Transition Date, Purchaser or New Operator shall provide all notices and make all necessary filings as required under applicable Health Care Laws in order for Purchaser to become the certified Medicare and Medicaid provider at the Properties (other than the NY Properties), as applicable. After the Transition Date and upon request from Purchaser, Seller shall execute all documentation reasonably required by the Centers for Medicare & Medicaid Services, any applicable state agency or any administrative contractor in connection with the assignment of the Provider Agreements including, but not limited to, completing the "former owner" portion of the 855A.

(iii) Purchaser shall be solely responsible for obtaining all other Third Party Payor or provider agreements (commercial, governmental, or otherwise) which may be necessary or desired for operating the Property on or after the Closing Date or the Transition Date, whether in the name of the Purchaser, or New Operator, as applicable.

(iv) Seller shall use commercially reasonable efforts to timely prepare and file before delinquency with the appropriate Medicare and Medicaid agency any final cost reports or similar documents with respect to its operation of the Properties which are required to be filed by law under the Medicare and Medicaid programs. After such filing and within ten (10) business days of request by the Purchaser or New Operator, Seller shall provide the Purchaser and New Operator with a copy of such cost report, together with copies of any amendments thereto and material correspondence related to such final cost reports. Seller will provide the appropriate agency and/or administrative contractor with any information needed to support claims for reimbursement made by Seller either in such terminating cost report.

(v) As used herein, the "**Transition Date**" shall mean the Closing Date, which Closing Date is conditioned on, among other things, the issuance of the last Licensure Approval with respect to any Property to the Purchaser or New Operator; provided, that if the Bridging Arrangements are implemented at the Closing with respect to the operation of

any Property in accordance with Section 8(e)(ii), then the Transition Date shall mean, solely with respect to such Property, the date upon which the Licensure Approvals for such Property have been obtained by Purchaser or New Operator.

(vi) Medicare and Medicaid Billing. Until the Closing Date, Seller shall continue to bill Medicare and Medicaid in the ordinary course of business consistent with past practices for amounts due under such Government Sponsored Health Care Programs. On and following the Transition Date, to the extent permitted by applicable Health Care Laws and Government Sponsored Health Care Programs, Purchaser shall be permitted to bill under the Provider Agreements during the period that commences on the Transition Date and that ends on the date that is 30 days after the issuance of the Medicare tie-in notice and the Purchaser's Medicaid contracts. Notwithstanding the foregoing, from and after the Closing Date, Purchaser shall assume sole responsibility for billing applicable Government Sponsored Health Care Programs for services rendered at the Properties, whether in the name of Purchaser or Seller, as applicable. Regardless of which party bills Medicare, or Medicaid, the payments received therefrom shall be allocated as follows:

(1) Seller shall retain whatever right, title and interest it may have in and to A/R existing before the Closing Date. Purchaser acknowledges and agrees that (i) it shall do nothing to interfere with any and all rights that Seller may have in or with respect to such A/R, including, but not limited to, the right to collect the same and to enforce any and all of its rights with respect to such A/R, and (ii) if it receives any proceeds with respect to such A/R, Purchaser and New Operator will hold such proceeds in trust for Seller and shall promptly turn over those proceeds to Seller in accordance with the provisions of this Section 8.

(2) Within ten (10) business days after the Closing Date, Seller shall provide Purchaser and New Operator with a schedule setting forth by resident all of Seller's outstanding A/R as of the Closing Date.

(3) In furtherance and not in limitation of the requirements set forth in Section 8(f)(vi)(1), payments received by Purchaser or New Operator from and after the Closing Date from any source, including, without limitation, Third Party Payors, including Medicare, Medicaid, managed care and health insurance, shall be handled as follows:

(A) If such payments specifically indicate on the accompanying remittance advice, or if the parties agree, that they relate to the period prior to the Closing Date, Seller shall be entitled to retain the same or, if received by Purchaser or New Operator, such payments shall be forwarded to Seller, along with the applicable remittance advice, promptly, but in no event more than ten (10) business days after receipt thereof;

(B) If such payments indicate on the accompanying remittance advice, or if the parties agree, that they relate to the period on or after the Closing Date, they shall be retained by Purchaser or New Operator or if received by Seller, they shall be forwarded to Purchaser by the recipient thereof,

along with the applicable remittance advice, promptly, but in no event more than ten (10) business days after receipt thereof; and

(C) If the period(s) for which such payments are made is not indicated on the accompanying remittance advice, (i) for a period of ninety (90) days following the Closing Date, the Purchaser and New Operator shall assume that each payment relates to the oldest outstanding unpaid receivables for a resident and (b) thereafter, Purchaser and New Operator shall assume that each payment relates to the most recent outstanding unpaid receivables for a resident. Based on such assumptions, the portion thereof which relates to the period prior to the Closing Date that is received by Purchaser or New Operator shall be remitted to Seller promptly, but in no event more than ten (10) business days after receipt thereof and the balance, if any, shall be retained by Purchaser or New Operator or if such payment is received by Seller, Seller shall retain the portion that relates to the period prior to the Closing Date and remit the balance to Purchaser promptly, but in no event more than ten (10) business days after receipt thereof.

(D) Nothing herein shall be deemed to limit in any way Seller's rights and remedies to recover A/R due and owing to Seller under the terms of this Agreement (other than commencing an eviction proceeding against a resident); provided that Seller acknowledges that Purchaser's only obligation under this Section 8 shall be to forward payments on the A/R if and as received by Purchaser and that Purchaser shall have no affirmative obligation to attempt to collect the A/R under this Agreement.

(E) In the event the parties mutually determine that any payment hereunder was misapplied by the parties, the party which erroneously received said payment shall remit the same to the other party promptly, but in no event more than five (5) business days, after said determination is made; provided, that if either party believes the other party has misapplied any such funds and there is a disagreement, written notice shall be provided and the parties shall discuss the matter in good faith within ten (10) business days of such notice.

(F) Failure of any party to forward to any other party any payment received by such party in accordance with the terms of this Section 8 shall entitle the other party (among all other remedies allowed by law and this Agreement) to interest on the amount owed at the rate per annum equal to the Prime Rate as set forth in the Money Rates Section of The Wall Street Journal, as the same may change from time to time, plus six percent (6%) simple interest, until such payment has been paid. The payment of any interest imposed under this Section 8, if any, shall be made together with the underlying payment therefor.

(G) The obligations of the parties to forward the A/R payments pursuant to this Section 8(f)(vi) are absolute and unconditional and, irrespective of any circumstances whatsoever which might constitute a legal or equitable discharge, recoupment, offset, counterclaim or defense of the parties,

the right to assert any of which with respect to proceeds of any A/R is hereby waived. All obligations under this Section 8(f)(vi) shall survive the Closing Date for a period of one (1) year after the Closing Date.

(g) No Shop. Between the date hereof and the Closing Date (or the date of any earlier termination of this Agreement), Seller shall not, directly or through its affiliates, or its affiliates' employees, advisers or other representatives, solicit, encourage, or facilitate (including by way of providing information regarding the Properties, Seller, or their businesses to any Person or providing access to any Person) any inquiries, discussions or proposals regarding, continue or enter into discussions or negotiations with respect to, or enter into or consummate any agreement or understanding in connection with any proposal regarding, any purchase or other acquisition of all or any portion of the Properties.

(h) Seller Period Relief Funds. If Seller determines, in its sole discretion, that they are eligible to apply for funding and/or other benefits from the Department of Health and Human Services or any other Governmental Authority pursuant to the CARES Act, Provider Relief Fund, or any other program for which Seller is eligible to receive funding with respect to Seller's period of ownership of the Seller Assets (such funding and/or other benefits, collectively, the "**Seller Period Relief Funds**"), (i) Seller shall have the right to apply for, pursue and obtain such funding and/or other benefits at its sole cost and expense, and Purchaser shall have no liability therefor, and (ii) Purchaser shall, at Seller's sole cost and expense, cooperate in connection therewith, which cooperation shall include, without limitation, the obligation to provide Seller with information and access to and copies of such records as Sellers may require in connection with any applicable application process and any audit which may arise with respect to such application or otherwise with respect to any such Seller Period Relief Funds. This Section 8(h) shall survive the Closing.

9. CONDITIONS TO CLOSING.

(a) Conditions to Obligations of Seller. The obligation of Seller to consummate the Closing shall be subject to the fulfillment (or, in Seller's sole discretion, written waiver by Seller) at or prior to the Closing Date of the following conditions:

(i) Representations and Warranties. The representations and warranties of Purchaser contained in Section 10(g) shall be true and correct (without giving effect to any qualification as to materiality, Individual Material Adverse Effect, Aggregate Material Adverse Effect or any correlative terms) on the Effective Date and as of the Closing Date as though made on and as of the Closing Date (except those representations and warranties that address matters only as of a specified date, which shall be true and correct (without giving effect to any qualification as to materiality, Individual Material Adverse Effect, Aggregate Material Adverse Effect or any correlative terms) in all respects as of that specified date), in each case, except where the failure of such representations and warranties to be true and correct has not had, or would not be reasonably expected to have, either individually or in the aggregate, a material adverse effect on Purchaser's ability to consummate the transactions contemplated hereby.

(ii) Performance of Obligations. Purchaser shall have duly performed and complied in all material respects with all agreements, covenants and conditions required to be performed or complied with by it under this Agreement on or prior to the Closing Date, and shall have delivered all of the documents and other items required to be delivered by Purchaser pursuant to Section 15(b) and Section 15(c).

(iii) Regulatory Approvals and Bridging Arrangements. (A) Neither Purchaser nor Seller has received written correspondence from the California Department of Social Services expressly indicating that the transactions contemplated hereby, including applicable California Bridging Arrangements, may not be consummated because such transactions violate applicable California Law, (B) with respect to each Property for which Licensure Approvals are required but have not been obtained, if a Bridging Approval is also required, as set forth on Schedule 8(e)(ii), such Bridging Approval has been obtained, and (C) in accordance with the terms of Section 8(e)(ii), the Bridging Documents for the Bridging Arrangements shall be implemented at Closing.

If any of the conditions to Seller's obligations to close under this Agreement are not satisfied on and as of the then Scheduled Closing Date and such failure is not otherwise a result of any default by Purchaser (in which event Seller would be afforded the rights under Section 18(a)), then Seller may elect either: (y) to waive such failure and proceed to Closing or (z) to terminate this Agreement by written notice to Purchaser, in which event the Deposit (together with any interest earned thereon) shall be returned to Purchaser and neither Seller nor Purchaser shall have any further rights or obligations to the other under this Agreement, except those arising under provisions that expressly survive such termination.

(b) Conditions to Obligations of Purchaser. The obligations of Purchaser to consummate the Closing shall be subject to the fulfillment (or, in Purchaser's sole discretion, written waiver by Purchaser) at or prior to the Closing Date of the following conditions:

(i) Representations and Warranties. The representations and warranties of Seller contained in Section 10 shall be true and correct (without giving effect to any qualification as to materiality, Individual Material Adverse Effect, Aggregate Material Adverse Effect or any correlative terms) on the Effective Date and as of the Closing Date as though made on and as of the Closing Date (except those representations and warranties that address matters only as of a specified date, which shall be true and correct (without giving effect to any qualification as to materiality, Individual Material Adverse Effect, Aggregate Material Adverse Effect or any correlative terms) as of that specified date), except where the failure of such representations and warranties to be true and correct has not had, or would not be reasonably expected to have, either individually or in the aggregate, an Individual Material Adverse Effect or an Aggregate Material Adverse Effect; provided, that in the event of any breach of the representation in Section 10(d)(iii) at any time after the Effective Date, Purchaser's rights shall be governed by Section 12. As used in this Agreement, the term "**Aggregate Material Adverse Effect**" means any event, change, development, effect, condition, circumstance, matter, occurrence or state of facts that, individually or in the aggregate, has a material adverse effect on the value, use or operation of the Properties taken as a whole, and the term "**Individual Material Adverse Effect**" means any event, change, development, effect, condition, circumstance, matter, occurrence or state of facts that, individually or in the aggregate,

has a material adverse effect on the value, use or operation of any individual Property; provided, that no adverse event, change, development, effect, condition, circumstance, matter, occurrence or state of facts shall be deemed to constitute, or be taken into account in determining whether there has been or would be an Aggregate Material Adverse Effect or an Individual Material Adverse Effect if it results from or arises out of: (I) the execution, delivery or announcement of this Agreement or pendency of the transactions contemplated herein, including any adverse change in customer, employee, supplier, financing source, licensor, licensee, sub-licensee, stockholder, joint venture partner or similar relationship, including as a result of the identity of Purchaser; (II) changes in general economic, business, regulatory, political or market conditions or in national or global financial markets or in global, national or regional political conditions; (III) any natural disaster, acts of terrorism, armed hostilities or war or any escalation or worsening thereof; (IV) any changes in United States generally accepted accounting principles or applicable Laws or interpretations thereof; (V) any action taken by Seller, or which Seller causes to be taken by any of its affiliates, in each case which is required or permitted by this Agreement; or (VI) any actions taken (or omitted to be taken) at the written request of Purchaser or with Purchaser's written consent, unless, in each case with respect to clauses (II), (III) and (IV), such events have a disproportionately greater adverse impact on the Properties, generally, in comparison to other properties of the same or similar use in the same geographic area.

(ii) Performance of Obligations. Seller shall have duly performed and complied in all material respects with all agreements, covenants and conditions required to be performed or complied with by it under this Agreement on or prior to the Closing Date, and shall have delivered all of the documents and other items required to be delivered by Seller pursuant to Section 15(a) and Section 15(c).

(iii) Title. The Title Company shall be irrevocably and unconditionally committed to issue title insurance policies insuring the fee simple interest of PropCo Purchaser and Vacant Land Purchasers, as applicable, in each Property subject only to Permitted Encumbrances and otherwise in the forms of the Proforma Title Policies (as the same may be updated pursuant to the Section 6) (each a "**Title Policy**" and collectively, the "**Title Policies**") upon payment of the premium for such Title Policies.

(iv) Regulatory Approvals and Bridging Arrangements. (A) Neither Purchaser nor Seller has received written correspondence from the California Department of Social Services expressly indicating that the transactions contemplated hereby, including applicable California Bridging Arrangements, may not be consummated because such transactions violate applicable California Law, (B) with respect to each Property for which Licensure Approvals are required but have not been obtained, if a Bridging Approval is also required, as set forth on Schedule 8(e)(ii), such Bridging Approval has been obtained, and (C) in accordance with the terms of Section 8(e)(ii), the Bridging Documents for the Bridging Arrangements shall be implemented at Closing.

(v) OTA. (A) Each representation and warranty made by Master Tenant, NY Subtenant or other "**Transferor**" under the OTA shall be true, correct and complete in all material respects as of the Closing (or as of any other date specifically stated therein), (B) Master Tenant and NY Subtenant shall have complied in all material respects with all covenants and agreements required to be performed by each of them, respectively, under the OTA at or

prior the Closing, and (C) Master Tenant, NY Subtenant and OpCo Purchaser shall have entered into and, contemporaneously with the Closing, consummated the transactions contemplated under the OTA, to the extent such transactions are contemplated to be consummated contemporaneously with the Closing.

(vi) Tail Insurance. From and after the Effective Date, Seller shall use commercially reasonable efforts to cause WRC to maintain its current commercial professional liability and general liability insurance policies in place through the Closing Date, with coverage levels no less than the levels in effect as of the Effective Date and with a carrier of comparable rating as of the Effective Date. From and after the Closing Date, Purchaser shall use commercially reasonable efforts to cause WRC to maintain its current commercial professional liability and general liability insurance policies in place until the second (2nd) anniversary of the Effective Date, with coverage levels no less than the levels in effect as of the Closing Date and with a carrier of comparable rating as of the Closing Date, together with a "discontinued operations" endorsement in favor of Seller and Guarantor naming each Seller and Guarantor as additional insureds under such policy. If such insurance coverage fails to be in effect for any period prior to the second (2nd) anniversary of the Closing Date for any reason, then (A) a Tail Insurance Policy shall be obtained by or on behalf of WRC and a certificate to evidence the Tail Insurance Policy shall be provided to Seller and Purchaser, and (B) Purchaser shall pay to WRC an amount of up to $1,400,000 toward the cost of such Tail Insurance Policy and WRC shall pay all costs of such Tail Insurance Policy in excess of $1,400,000. "**Tail Insurance Policy**" means extended reporting period or "tail insurance" relating to WRC's existing liability insurance relating to the Properties, providing coverage effective as of the date that WRC's insurance referenced above is no longer in effect and through the second (2nd) anniversary of the Closing Date, naming Purchaser, each Seller and Guarantor as additional insureds under such policy, with $10,000,000 of excess liability coverage (in lieu of current excess coverage limits), and in all other respects consistent with WRC's commercial professional liability and general liability insurance policies in place on the Effective Date relating to the Properties.

(vii) Tenant Estoppel Certificates. Purchaser shall have received a duly executed estoppel certificate from (A) Lake Pointe Investors, LLC, as tenant under the Lake Pointe Woods Lease, and (B) Boca Ciega Investors, LLC, as tenant under the Boca Ciega Bay Lease, each substantially in the form attached hereto as Exhibit C (each, a "**Summit Lease Estoppel Certificate**").

If any of the conditions to Purchaser's obligations to close under this Agreement are not satisfied on and as of the then Scheduled Closing Date (and Purchaser has not waived the same), then (i) Seller may, if it so elects and without any abatement in the Purchase Price, adjourn the Scheduled Closing Date for a period or periods not to exceed sixty (60) days in the aggregate (or, if Seller has elected to adjourn the Closing pursuant to Section 16, then for a period not to exceed sixty (60) days less the number of days for which Seller has adjourned the Closing pursuant to Section 16) in order to attempt to satisfy such conditions and (ii) if, after any such extension, the conditions precedent to Purchaser's obligation to effect the Closing continue not to be satisfied (and Purchaser has not waived the same) or Seller does not elect such extension and such failure is not otherwise a result of any default by Seller (in which event Purchaser would be afforded the rights under Section 18(b)), then Purchaser may elect either: (y) to waive such failure and proceed to Closing or (z) to terminate this Agreement by written notice

to Seller, in which event neither Seller nor Purchaser shall have any further rights or obligations to the other under this Agreement, except those arising under provisions that expressly survive such termination.

10. CONDITION OF THE PROPERTIES; REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION.

(a) PURCHASER HEREBY ACKNOWLEDGES THAT, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, THE OTA, THE GUARANTY, AND/OR IN THE OTHER DOCUMENTS TO BE DELIVERED AT CLOSING, NEITHER SELLER NOR ANY DISCLOSED OR UNDISCLOSED, DIRECT OR INDIRECT AFFILIATES, SHAREHOLDERS, PARTNERS, MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES OR TRUSTEES, PRINCIPALS, AGENTS, CONTRACTORS OR ANY SUCCESSORS OR ASSIGNS OF THE FOREGOING (EACH, INCLUDING SELLER, A "**SELLER PARTY**" AND, COLLECTIVELY WITH SELLER, "**SELLER PARTIES**"), NOR ANY OTHER PERSON ACTING ON BEHALF OF SELLER, NOR ANY PERSON OR ENTITY WHICH PREPARED OR PROVIDED ANY OF THE MATERIALS REVIEWED BY PURCHASER IN CONDUCTING ITS DUE DILIGENCE, NOR ANY SUCCESSOR OR ASSIGN OF ANY OF THE FOREGOING PARTIES, HAS MADE OR SHALL BE DEEMED TO HAVE MADE ANY ORAL OR WRITTEN REPRESENTATIONS OR WARRANTIES, WHETHER EXPRESSED OR IMPLIED, BY OPERATION OF LAW OR OTHERWISE (INCLUDING WITHOUT LIMITATION WARRANTIES OF HABITABILITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE), WITH RESPECT TO THE PORTFOLIO OR ANY OF THE PROPERTIES, THE PERMITTED USE OF THE PROPERTIES OR THE ZONING AND OTHER LAWS, REGULATIONS AND RULES APPLICABLE THERETO OR THE COMPLIANCE BY THE PROPERTIES THEREWITH, THE REVENUES AND EXPENSES GENERATED BY OR ASSOCIATED WITH THE PROPERTIES, OR OTHERWISE RELATING TO THE PROPERTIES OR THE TRANSACTIONS CONTEMPLATED HEREIN. PURCHASER FURTHER ACKNOWLEDGES THAT, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT AND/OR IN THE OTHER DOCUMENTS TO BE DELIVERED AT CLOSING, ALL MATERIALS THAT HAVE BEEN PROVIDED BY ANY SELLER PARTY HAVE BEEN PROVIDED WITHOUT ANY WARRANTY OR REPRESENTATION, EXPRESSED OR IMPLIED AS TO THEIR CONTENT, SUITABILITY FOR ANY PURPOSE, ACCURACY, TRUTHFULNESS OR COMPLETENESS AND, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT AND/OR THE OTHER DOCUMENTS TO BE DELIVERED AT CLOSING, PURCHASER SHALL NOT HAVE ANY RECOURSE AGAINST SELLER OR ANY OF THE OTHER SELLER PARTIES IN THE EVENT OF ANY ERRORS THEREIN OR OMISSIONS THEREFROM. PURCHASER IS ACQUIRING THE PROPERTIES BASED SOLELY ON ITS OWN INDEPENDENT INVESTIGATION AND INSPECTION OF THE PROPERTIES AND NOT IN RELIANCE ON ANY INFORMATION PROVIDED BY SELLER, OR ANY OF THE OTHER SELLER PARTIES, EXCEPT FOR THE REPRESENTATIONS, WARRANTIES AND COVENANTS EXPRESSLY SET FORTH HEREIN AND/OR IN THE OTHER DOCUMENTS TO BE DELIVERED AT CLOSING.

(b) PURCHASER ACKNOWLEDGES AND AGREES THAT, EXCEPT AS SET FORTH IN THIS AGREEMENT, THE OTA AND ANY OTHER AGREEMENTS

ENTERED INTO IN CONNECTION WITH THE CLOSING, IT IS PURCHASING THE PROPERTIES "**AS IS**" AND "**WITH ALL FAULTS**", AND, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT AND/OR IN THE OTHER DOCUMENTS TO BE DELIVERED AT CLOSING, BASED UPON THE CONDITION (PHYSICAL OR OTHERWISE) OF ANY OF THE PROPERTIES AS OF THE DATE OF THIS AGREEMENT, REASONABLE WEAR AND TEAR AND, SUBJECT TO THE PROVISIONS OF SECTION 11 AND SECTION 12, LOSS BY CONDEMNATION OR FIRE OR OTHER CASUALTY EXCEPTED. NOTWITHSTANDING ANYTHING TO THE CONTRARY SET FORTH IN THIS AGREEMENT, EXCEPT AS SET FORTH IN SECTION 10(d)(iv), SELLER MAKES NO WARRANTY WITH RESPECT TO THE PRESENCE OF HAZARDOUS MATERIALS ON, ABOVE OR BENEATH THE LAND (OR ANY PARCEL IN PROXIMITY THERETO) OR IN ANY WATER ON OR UNDER THE LAND. PURCHASER'S CLOSING HEREUNDER SHALL BE DEEMED TO CONSTITUTE AN EXPRESS WAIVER OF PURCHASER'S RIGHT TO CAUSE SELLER TO BE JOINED IN ANY ACTION BROUGHT UNDER ANY ENVIRONMENTAL LAWS WITH RESPECT TO THE REAL PROPERTY. EXCEPT WITH RESPECT TO ANY CLAIMS ARISING OUT OF ANY BREACH OF COVENANTS, REPRESENTATIONS OR WARRANTIES SET FORTH IN THIS AGREEMENT, PURCHASER, FOR ITSELF AND ITS AGENTS, AFFILIATES, SUCCESSORS AND ASSIGNS, HEREBY RELEASES SELLER AND THE OTHER SELLER INDEMNITEES FROM ANY AND ALL RIGHTS, CLAIMS AND DEMANDS AT LAW OR IN EQUITY, WHETHER KNOWN OR UNKNOWN AT THE TIME OF THIS AGREEMENT, WHICH PURCHASER HAS OR MAY HAVE IN THE FUTURE, ARISING OUT OF THE PHYSICAL ENVIRONMENTAL CONDITION OF THE REAL PROPERTY.

(c) Fundamental Representations and Warranties. Seller hereby represents and warrants to Purchaser that:

(i) Seller is duly organized, validly existing and in good standing under the laws of its state of organization, is qualified to do business in the State where its Property is located to the extent such qualification is required by Law, and has the full power and authority to enter into and perform this Agreement in accordance with its terms. This Agreement and all documents executed by Seller which are to be delivered to Purchaser at Closing are, and at the time of Closing will be, duly authorized, executed and delivered by Seller, and at the time of Closing will be the legal, valid and binding obligations of Seller enforceable against Seller in accordance with their respective terms, and do not and, at the time of Closing will not, violate any provision of any Seller's governing organizational documents, any agreement by which any Seller is bound, or any Law, judgment or court order binding upon any Seller or to which such Seller's Property is subject. The consummation by Seller of the transactions contemplated hereby do not require any approval by the stockholders of NorthStar Healthcare Income, Inc. Other than in connection with the matters described in Section 8(e) and assuming the repayment in full of Seller's existing indebtedness secured by the Properties, no consent of any member, manager, Governmental Authority or other party is necessary for the execution, delivery and performance by Seller of this Agreement other than any such consent that has already been obtained.

(ii) Seller has not made a general assignment for the benefit of creditors, filed any voluntary petition in bankruptcy or suffered the filing of an involuntary

petition by Seller's creditors, suffered the appointment of a receiver to take possession of all, or substantially all, of Seller's assets, suffered the attachment or other judicial seizure of all, or substantially all, of Seller's assets, admitted in writing its inability to pay their respective debts as they come due or made an offer of settlement, extension or composition to creditors generally.

(iii) Neither Seller, nor, to Seller's Knowledge, any of its directors, officers, employees, agents, representatives and affiliates is or shall be at any time prior to or at the Closing a Person with whom a United States citizen, entity organized under the laws of the United States or its territories or entity having its principal place of business within the United States or any of its territories (collectively, a "**U.S. Person**"), is prohibited from transacting business of the type contemplated by this Agreement, whether such prohibition arises under United States law, regulation, executive orders and lists published by the Office of Foreign Assets Control, Department of the Treasury ("**OFAC**") (including those executive orders and lists administered by OFAC with respect to Persons that have been designated by executive order or by the sanction regulations of OFAC as Persons with whom U.S. Persons may not transact business or must limit their interactions to types approved by OFAC ("**Specially Designated Nationals and Blocked Persons**") or otherwise. Neither Seller nor any Person who owns an interest in Seller (other than the owner of publicly traded shares) (collectively, a "**Seller Sponsor Party**") has been during the five (5) years prior to the date of this Agreement, is now nor shall be at any time prior to or at the Closing a Person with whom a U.S. Person, including a United States Financial Institution as defined in 31 U.S.C. 5312, as periodically amended ("**Financial Institution**"), is prohibited from transacting business of the type contemplated by this Agreement, whether such prohibition arises under United States law, regulation, executive orders and lists administered by the OFAC (including those executive orders and lists published by OFAC with respect to Specially Designated Nationals and Blocked Persons) or otherwise.

(iv) Neither Seller nor, to Seller's Knowledge (A) any Seller Sponsor Party, or (B) any other Person providing funds to Seller: (1) is under investigation by any Governmental Authority for, or has been charged with, or convicted of, money laundering, drug trafficking, terrorist related activities, any crimes which in the United States would be predicate crimes to money laundering, or any violation of any Anti-Money Laundering Laws (as hereinafter defined); (2) has been assessed civil or criminal penalties under any Anti-Money Laundering Laws; or (3) has had any of its funds seized or forfeited in any action under any Anti-Money Laundering Laws or otherwise been in violation of any Anti-Money Laundering Laws. For purposes of this subsection (iv), the term "**Anti-Money Laundering Laws**" shall mean laws, regulations and sanctions, state and federal, criminal and civil, that: (w) limit the use of and/or seek the forfeiture of proceeds from illegal transactions; (x) limit commercial transactions with designated countries or individuals believed to be terrorists, narcotics dealers or otherwise engaged in activities contrary to the interests of the United States; (y) require identification and documentation of the parties with whom a Financial Institution conducts business; or (z) are designed to disrupt the flow of funds to terrorist organizations. Such laws, regulations and sanctions shall be deemed to include the USA PATRIOT Act of 2001, Pub. L. No. 107-56 (the "**Patriot Act**"), the Bank Secrecy Act, 31 U.S.C. Section 5311 et seq., the Trading with the Enemy Act, 50 U.S.C. App. Section 1 et seq., the International Emergency Economic Powers Act, 50 U.S.C. Section 1701 et seq., and the sanction regulations promulgated pursuant thereto by the OFAC, as well as laws relating to prevention and detection of money laundering in 18 U.S.C. Sections 1956 and 1957.

(v) Seller is in compliance with all applicable provisions of the Patriot Act.

(d) Property Representations and Warranties. Seller hereby represents and warrants to Purchaser that:

(i) Except as set forth on Schedule 10(d)(i), Seller has not granted any Person any right of first refusal, option or other preferential right to purchase any Property or any portion thereof or any interest therein.

(ii) Except for the matters set forth on Schedule 10(d)(ii), there is no action, suit, litigation, hearing or administrative proceeding pending or, to Seller's Knowledge, threatened in writing against Seller which is not or would not be covered by insurance and which if adversely determined to Seller would have an Individual Material Adverse Effect.

(iii) Except for the matters set forth on Schedule 10(d)(iii), there are no condemnation or eminent domain proceedings, or proceedings to change the zoning status of any Properties, which are pending or, to Seller's Knowledge, threatened in writing against any of the Properties or Seller.

(iv) Except for the matters set forth on Schedule 10(d)(iv) or as disclosed in any of the Phase I environmental site assessments or property condition reports listed on Schedule 14(b), no Seller has received written notice from any Governmental Authority (A) that any of the Properties, or the use and operation thereof, is in violation of any laws or regulations relating to Hazardous Materials in any material respect, (B) of the presence of any Hazardous Materials in, on or under the Property in violation of any laws or regulations relating to Hazardous Materials in any material respect, or (C) of any pending or threatened requests for information or inquiries or any investigations, action, suits, claims or proceeding relating to the existence, generation, release, production, disposal, treatment, emission, migration, transportation or storage of any Hazardous Materials in or on any of the Properties.

(v) Each Property is being primarily operated as an assisted living facility, independent living facility, memory care facility, skilled nursing facility, or continuing care and retirement facility, together with, in each case, such other uses ancillary or related thereto.

(vi) Seller has posted to the Data Site or otherwise provided to Purchaser a true and correct copy of the current forms of Residency Agreement used at each JV Property and, to Seller's Knowledge, has posted to the Data Site or otherwise provided to Purchaser a true and correct copy of the current forms of Residency Agreement used at each Master Lease Property and each NY Property, in each case as of the date so posted or provided and subject to non-material changes in the ordinary course of business. To Seller's Knowledge, the form of Residency Agreements for the Properties provided to Purchaser comply with applicable Legal Requirements, including Health Care Laws, in all material respects.

(vii) The rent rolls listing residents at the JV Properties and, to Seller's Knowledge, the rent rolls listing residents at the Master Lease Properties and the NY Properties, in each case, as of the end of the most recent month preceding the Effective Date and posted to

the Data Site are true, accurate and complete in all material respects as of the date designated therein.

(viii) Schedule 10(d)(viii) contains a true, accurate and complete list of the Leases (including, without limitation, the Boca Ciega Bay Lease and, to Seller's Knowledge, the Lake Pointe Woods Lease and the NY Subleases), in each case, including all amendments thereto, at each JV Property and, to Seller's Knowledge, at each Master Lease Property and NY Property. Except as set forth on Schedule 10(d)(viii), the Lease at each JV Property, the NY Subleases, and, to Seller's Knowledge, the Lease at each Master Lease Property and NY Property, are in full force and effect, no party to any Lease is in material breach or default thereunder. Other than the Residency Agreements, the Operating Leases, the Master Lease, the Leases (including, without limitation, the Boca Ciega Bay Lease, the Lake Pointe Woods Lease, and the NY Subleases) or as disclosed on the Pro Forma Title Policies, Seller has not, and, to Seller's Knowledge, Master Tenant and NY Subtenant have not, granted any Person a right to occupy all or any portion of the Property.

(ix) (A) Schedule 10(d)(ix) contains a true, accurate and complete list of the Material Contracts in Seller's possession or control and in effect with respect to a JV Property, (B) a true and correct copy of each such Material Contract has been posted to the Data Site or otherwise provided to Purchaser, (C) Seller has neither delivered nor received a written notice of default under any such Contract which default is uncured and which would have an Individual Material Adverse Effect or Aggregate Material Adverse Effect, and (D) Seller is not in material default under any Material Contract and, to Seller's Knowledge, no other party to any Material Contract is in material default thereunder, in each case which would have an Individual Material Adverse Effect or Aggregate Material Adverse Effect. For purposes of this Agreement, the term "**Material Contracts**" shall mean any contract to which Seller, any Operating Tenant or any NY Sublessor is a party, and that either (A) requires aggregate annual payments in excess of $50,000 with respect to any JV Property (in each case, as measured by payments made to under such contract over 12 calendar months preceding the month in which the Effective Date occurs, and further provided that, to the extent such contract has been entered into in the 12 calendar months preceding the month in which the Effective Date occurs, as measured by the monthly payments due under such contract on an annualized basis), or (B) has a term greater than twelve (12) months and cannot be terminated by Purchaser with respect to any JV Property without penalty or payment upon sixty (60) days' notice or less without requiring the payment of a termination fee.

(x) All property taxes and assessments levied against the Properties prior to Closing have been paid or will be paid on or prior to the Closing, or such taxes and assessments will be prorated between the Seller and Purchaser hereunder or prorated between Master Tenant, NY Subtenant and Purchaser under the OTA. Attached hereto as Schedule 10(d)(x) is a true, correct, and complete list of all currently effective applications for reduction of the assessed value of a Property or any portion thereof (including tax certiorari proceedings) (collectively, the "**Tax Proceedings**").

(xi) Seller has delivered to Purchaser true, correct and complete copies of certificates of insurance evidencing Seller's existing property and liability insurance coverage relating to the Properties.

(xii) Seller has good title to the Personalty, in each case free and clear of all liens, security interests, pledges or other similar encumbrances, other than the Permitted Encumbrances and other liens and encumbrances that will be released as of the Closing.

(xiii) Attached hereto as Schedule 10(d)(xiii) is a true, correct and complete list of all material Operator Licenses currently in effect with respect to the JV Properties. The Operator Licenses set forth on Schedule 10(d)(xiii) constitute all of the material Operator Licenses necessary to the operation of such Properties as they are operated on the date hereof. Except as set forth in the Licensing Surveys or as disclosed in writing to Purchaser, Seller, and to Seller's Knowledge, each Operating Tenant and NY Subtenant, is not in material default under any such Operator License. Each such Operator License is in full force and effect, and, except as set forth in the Licensing Surveys or as disclosed in writing to Purchaser, in the past three (3) years, the Seller, and to Seller's Knowledge, each Operating Tenant and NY Subtenant, has not received written notice of any proceeding to terminate, revoke, suspend or otherwise limit any such Operator License that has not been cured.

(xiv) Except as disclosed in Schedule 10(d)(xiv) attached hereto or except as disclosed in any Licensing Survey or as disclosed in writing to Purchaser: (A) in the past three (3) years, Seller has not, and to Seller's Knowledge, each Operating Tenant, NY Subtenant and (solely to with respect to the Properties) WRC has not, received written notice from any Governmental Authority alleging any material violation (whenever alleged to have occurred) of any applicable Health Care Law that has not been cured; (B) Seller has not, and to Seller's Knowledge, each Operating Tenant, NY Subtenant and (solely with respect to the Properties) WRC has not, received written notice of any legal, administrative, arbitral or other claim, proceeding, suit, action or investigation alleging any material failure to comply with Health Care Laws by or from any Governmental Authority that is currently pending and, to Seller's Knowledge, no such claim, proceeding, suit, action or investigation alleging any material failure to comply with Health Care Laws has been threatened in writing against or affecting the Portfolio; and (C) to Seller's Knowledge, Seller, each Operating Tenant, NY Subtenant and (solely with respect to the Properties) WRC are in compliance in all material respects with all applicable Health Care Laws. Except in connection with the Licensing Surveys, neither Seller nor to Seller's Knowledge, any Operating Tenant, NY Subtenant or (solely with respect to the Properties) WRC has entered into any agreements with any Governmental Authority with respect to any Property in connection with compliance with Health Care Laws. "**Licensing Surveys**" means the federal Statements of Deficiency and Plans of Correction and the equivalent state investigations, surveys, inspections and plans of correction (including, for the avoidance of doubt, surveys, inspections, investigations and plans of correction related to the operations of the Properties, whether conducted by a Governmental Authority or an accreditation body or organization), in each case, that have been posted to the Data Site as of the date which is two (2) business days prior to the Effective Date or otherwise provided to Purchaser in writing as of the date that is two (2) business days prior to the Effective Date.

(xv) Schedule 10(d)(xv) sets forth a list of all of Seller's Medicare provider agreement(s) and Medicare provider number(s) (the "**Medicare Provider Agreements**") and all of Seller's Medicaid provider agreement(s) and Medicaid provider number(s) (together with the Medicare Provider Agreements, the "**Provider Agreements**")

pursuant to which Seller is a party or otherwise seeks to be reimbursed, paid or compensated for the care rendered to the residents before the Closing Date.

(xvi) To Seller's Knowledge, each Seller is in good standing in each Third Party Payor program in which is currently participates and there is no threatened in writing, existing or pending revocation, suspension, termination, probation, restriction, limitation, or nonrenewal proceeding by or before any Third Party Payor to which Seller may presently be subject with respect to any Property and that would reasonably be expected to materially impact Seller's ability to participate in such Third Party Payor program. Except as set forth on Schedule 10(d)(xvi) or as disclosed in writing to Purchaser, there are not currently any pending or, to the Seller's Knowledge, threatened, non-ordinary course investigations, audits or other actions by any Governmental Authority or Third Party Payor to recoup, set-off, or suspend payments to Seller, or demand a refund from Seller with respect to any JV Property or, to Seller's Knowledge, with respect to any Master Lease Property or NY Property. All cost reports and similar documentation required by Third Party Payor programs in the past three (3) years have been accurately completed in all material respects and timely filed. To Seller's Knowledge, Seller has no material outstanding liability with respect to Third Party Payor recoupments, set-offs, payment suspensions, or refunds. Except as set forth on Schedule 10(d)(xvi) or as disclosed in writing to Purchaser, there are not currently any pending or, to the Seller's Knowledge, threatened, ordinary course investigations, audits or other actions by any Governmental Authority or Third Party Payor to recoup, set-off, or suspend payments to Seller, or demand a refund from Seller with respect to any JV Property or, to Seller's Knowledge, with respect to any Master Lease Property or NY Property, in each case that would be reasonably likely to result in an Individual Material Adverse Effect or an Aggregate Material Adverse Effect.

(xvii) Except as set forth on Schedule 10(d)(xvii) or as disclosed in writing to Purchaser: (A) Seller and, to Seller's Knowledge, each Operating Tenant, NY Subtenant and (solely with respect to the Properties) WRC are, and, for the past three (3) years have been, in compliance in all material respects with all applicable state and federal patient privacy and security laws related to patient health information, including but not limited to the Health Insurance Portability and Accountability Act of 1996, the Health Information Technology for Economic and Clinical Health Act, and the rules and regulations promulgated thereunder, as amended (collectively referred to as "**HIPAA**"); and (B) in the past three (3) years, Seller, and to Seller's Knowledge, each Operating Tenant, NY Subtenant and (solely with respect to the Properties) WRC has not received any written notice alleging that any Property is not in material compliance with HIPAA that has not been cured.

(xviii) Seller has not, and to Seller's Knowledge, has not been threatened in writing to have, and to Seller's Knowledge, no officer, manager, or Person with a "direct or indirect ownership interest" (as that phrase is defined in 42 C.F.R. §420.201) in Seller has, engaged in any of the following: (A) knowingly and willfully making or causing to be made a false statement or representation of a material fact in any application for any benefit or payment under any Health Care Laws; (B) knowingly and willfully making or causing to be made any false statement or representation of a material fact for use in determining rights to any benefit or payment under any Health Care Laws; (C) failing to disclose knowledge by a claimant of the occurrence of any event affecting the initial or continued right to any benefit or payment under any Health Care Laws on its own behalf or on behalf of another, with intent to secure such

benefit or payment fraudulently; (D) knowingly and willfully soliciting or receiving any illegal remuneration (including any kickback, bribe or rebate), directly or indirectly, overtly or covertly, in cash or in kind or offering to pay such remuneration (I) in return for referring an individual to a Person for the furnishing or arranging for the furnishing of any item or service for which payment may be made in whole or in part by any Health Care Laws, or (II) in return for purchasing, leasing or ordering or arranging for or recommending the purchasing, leasing or ordering of any good, facility, service, or item for which payment may be made in whole or in part by any Health Care Laws; (E) presenting or causing to be presented a claim for reimbursement for services that is for an item or services that was known or should have been known to be (I) not provided as claimed, or (II) false or fraudulent; or (F) knowingly and willfully making or causing to be made or inducing or seeking to induce the making of any false statement or representation (or omitting to state a fact required to be stated therein or necessary to make the statements contained therein not misleading) of a material fact with respect to (A) a facility in order that the facility may qualify for governmental authority certification, or (B) information required to be provided under 42 U.S.C. § 1320a-3.

(xix) Seller has not, and to Seller's Knowledge, has not been threatened in writing to have, and to Seller's Knowledge, no officer, manager, or Person with a "direct or indirect ownership interest" (as that phrase is defined in 42 C.F.R. §420.201) in Seller: (A) has had a civil monetary penalty assessed against it pursuant to 42 U.S.C. §1320a-7a or is the subject of a proceeding seeking to assess such penalty; (B) has been excluded from participation in a "**Federal Health Care Program**" (as that term is defined in 42 U.S.C. §1320a-7b) or is the subject of a proceeding seeking to assess such penalty, or has been "suspended" or "debarred" from selling products to the U.S. government or its agencies pursuant to the Federal Acquisition Regulation, relating to debarment and suspension applicable to federal government agencies generally (48 C.F.R. Subpart 9.4), or other applicable laws or regulations; (C) has been convicted (as that term is defined in 42 C.F.R. §1001.2) of any of those offenses described in 42 U.S.C. §1320a-7b or 18 U.S.C. §§669, 1035, 1347, 1518 or is the subject of a proceeding seeking to assess such penalty; (D) has been involved or named in a U.S. Attorney complaint made or any other action taken pursuant to the False Claims Act under 31 U.S.C. §§3729-3731 or qui tam action brought pursuant to 31 U.S.C. §3729 et seq.; or (E) was or has become subject to any federal, state, local governmental or private payor civil or criminal investigations or inquiries, proceedings, validation review, program integrity review or statement of charges alleging a material violation of Health Care Laws or threatening to suspend, terminate or otherwise materially limit its participation in Medicare, Medicaid or other Third Party Payor programs or its billing practices with respect thereto which has not been cured.

(xx) Seller is not, and no portion of its respective Property is an asset of, an "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") (whether or not subject to ERISA, and including, without limitation, governmental and foreign plans), a plan subject to Section 4975 of Internal Revenue Code of 1986, as amended, or an entity that is deemed to hold plan assets of any of the foregoing by reason of investment by an employee benefit plan or other plan in such entity.

(xxi) With respect to the JV Properties, no residents are entitled, pursuant to the terms of their respective Residency Agreements, to the return and refund of some

or all of certain refundable resident entrance fees or entrance fee deposits and similar refundable fee deposits paid by certain Residents pursuant to their respective Residency Agreements.

(xxii) The following financial statements for each JV Property and, to Seller's Knowledge, each Master Lease Property and each NY Property, posted to the Data Site: monthly operating statements for (A) January through December 2020 and (B) January through September 2021, have been prepared in accordance with generally accepted accounting principles (excluding footnotes) on a consistent basis throughout the period covered thereby and present fairly in all material respects the results of operation of the applicable Property for such period (provided, for the avoidance of doubt, that preparation in accordance with "generally accepted accounting principles" does not apply to the statements of cash flow contained therein). The foregoing financial statements do not include (x) the Properties listed on Schedule 1-2 and identified therein as the Bellevue Adjacent Parcel Property and the Bronson Place Adjacent Parcel Property or (y) for calendar year 2020, the Property listed on Schedule 1-2 and identified therein as the Crystal Lake Adjacent Parcel Property.

(xxiii) Seller has no employees. Seller has not executed any employment contracts or written agreements with any employees or any collective bargaining agreement with respect to any employees. To Seller's Knowledge, no union or other labor organization has made a demand to Seller, Master Tenant, NY Subtenant or any property manager of the Properties for recognition with respect to any Property or filed a petition with respect to Seller, Master Tenant, NY Subtenant or, any property manager of the Properties seeking a representation proceeding with the National Labor Relations Board with respect to the Properties within the last two (2) years.

(xxiv) Without limiting or modifying any of the other representations of Seller contained in this Section 10(d), Seller has not intentionally manipulated or falsified any of the items or documents posted to the Data Site or otherwise made available to Purchaser with the intent to deceive or defraud Purchaser in connection with the transaction contemplated under this Agreement.

(xxv) Except for any violations cured or remedied on or before the Effective Date or as set forth on Schedule 10(d)(xxv), Seller and, to Seller's Knowledge, Master Tenant, NY Subtenant and (solely with respect to the Properties) WRC, has not received written notice, and to Seller's Knowledge no such written notice is pending, from any Governmental Authority that any Property or the use and operation thereof in the manner in which such Property is used and operated as of the Effective Date, violates any applicable Laws (including the federal statute entitled Americans with Disabilities Act, 42 U.S.C. Section 12101, et seq. and the Occupational Safety and Health Act of 1970), which, if adversely determined, would reasonably be expected to have an Individual Material Adverse Effect.

(xxvi) Seller has posted to the Data Site true, correct and complete copies of the Boca Ciega Bay Lease and the Lake Pointe Woods Lease and, in each case, all amendments thereto. To Seller's Knowledge, Seller has posted to the Data Site true, correct and complete copies in its possession or control of the NY Subleases, Millbrook Management Agreement and the RiverVue Management Agreement and, in each case, all amendments thereto that are in Seller's possession or control. The Boca Ciega Bay Lease, the Lake Pointe Woods

Lease, and, to Seller's Knowledge, the NY Subleases, the Millbrook Management Agreement and the RiverVue Management Agreement, are, in each case, in full force and effect and no party is in material breach or default thereunder. For purposes of this Agreement, the term "**Millbrook Management Agreement**" means that certain Facility Management Agreement, dated December 6, 2011, between Fountains Operating Company (NY), Inc. and Watermark Retirement Communities, Inc; the term "**RiverVue Management Agreement**" means that certain Facility Management Agreement, dated January 13, 2012, between Fountains Operating Company (NY), Inc. and Watermark Retirement Communities, Inc.; the term "**Boca Ciega Bay Lease**" means that certain Second Amended and Restated Nursing Home Lease, dated February 1, 2019, between Watermark Boca Ciega Bay, LLC and Boca Ciega Investors, LLC, with respect to the property leased thereunder ("**Boca Ciega Bay Property**"); the term "**Lake Pointe Woods Lease**" means that certain Second Amended and Restated Nursing Home Lease, dated February 1, 2019, between Watermark Lake Pointe Woods, LLC (successor-in-interest to Fountains Lake Pointe Woods Owner NT-HCI, LLC) and Lake Pointe Investors, LLC, with respect to the property leased thereunder ("**Lake Pointe Woods Property**").

(xxvii) Except to the extent provided by Title Company (including, without limitation, as part of the Initial Title Commitments), Seller has delivered to Purchaser true, correct and complete copies of each of the material Condominium Documents in Seller's possession. To Seller's Knowledge, (A) there are no other agreements, instruments or other documents to which Seller is a party or by which Seller may be bound relating to the creation and/or governance of the Condominium, (B) the Condominium Documents are in full force and effect, (C) the Condominium Documents are in compliance with, and the Condominium is a validly created condominium under applicable Laws, (D) neither Seller, nor to Seller's Knowledge, any other party to the Condominium Documents, is in default thereunder, (E) all Condominium Charges payable by Seller as of the Effective Date have been paid, and there are no billed but unpaid Condominium Charges that are due and payable by Seller as of the date hereof, (F) the Condominium Board has not levied any special assessments that are due and payable on or after the date hereof, and (G) as of the date hereof, the members of the Condominium Board are as follows: Howard Campbell, Russell Lohrman, Eugene Flath, Jerry Anderson, and Allison Marty. None of the members of the Condominium Board were appointed by, or are employees of, Seller or Seller's affiliates. For purposes of this Agreement, the term "**Condominium**" shall mean the condominium regime created under, and governed by, the Condominium Documents; "**Condominium Documents**" shall mean the Condominium Declaration (and all exhibits and schedules annexed thereto), articles of incorporation, if applicable, by-laws and rules and regulations of a condominium, floor plans and plats relating to the Condominium, and any documents required by the Condominium Act or to the regulation, operation, administration or sale; the term "**Condominium Act**" shall mean the Davis-Stirling Common Interest Development Act (California Civil Code sections 4000 et seq.), as the same may be amended from time to time; the term "**Condominium Board**" shall mean the board, board of managers, association or other organization managing the Condominium by virtue of the Condominium Act and the Condominium Documents on behalf of all the owners of the Condominium units comprising the Condominium; the term "**Condominium Declaration**" shall mean that certain First Amended and Completely Restated Declaration of Establishment of Conditions, Covenants and Restrictions for The Fountains at Sea Bluffs, dated November 8, 2002, made by Fountains Sea Bluffs SL, LP f/k/a Sunrise IV Sea Bluffs SL, LP (successor-in-interest to Sunrise Senior Living Investments, Inc., successor-in-interest to Fountains Senior

Properties of California, Inc.) and The Fountains At Sea Bluffs Homeowners' Association; and the term "**Condominium Charges**" shall mean any and all common charges and assessments under the Condominium Documents (including without limitation, regular and special assessments) and any other amounts due under the Condominium Documents, together with any and all interest and penalties thereon, now or hereafter levied or assessed or imposed against Seller, the Condominium units, the applicable Property or any part thereof.

(xxviii)The Seller Knowledge Individuals, and/or those Persons with whom Seller Knowledge Individuals have a duty to make due inquiry pursuant to Section 10(e) below, include individuals who, in the ordinary course of their responsibilities as employees or agents of Seller or WRC, would be expected to receive notice of or otherwise be informed about the factual matters described in Section 10(d) which are limited by the knowledge of Seller. The Seller Knowledge Individual Doug Bath, in the ordinary course of his responsibilities as employee or agent of Seller, would be expected to receive notice of or otherwise be informed about the factual matters described in Section 10(c) which are limited by the knowledge of Seller.

(e) Seller's Knowledge. Any and all uses of the phrase, "to Seller's Knowledge" or other references to Seller's knowledge in this Agreement, shall mean the actual knowledge of Doug Bath or Crispen Carey (individually and collectively, the "**Seller Knowledge Individuals**") as to a fact pertaining to Seller at the time given, without any obligation to investigate or review any files or other information in the possession or otherwise available to Seller, make inquiries of other Persons or take any other actions in connection with any of the representations and warranties contained in this Agreement; provided, that notwithstanding the foregoing, the Seller Knowledge Individuals shall have an obligation to make due inquiry of Lynn Navolio, Chris Casteel, Cathy Lubanski, Kristi Roberts, Rich Howell, Greta Frazier and Jacqueline Genesio. Neither the actual, present or conscious knowledge of any other Person, nor the constructive knowledge of the Seller Knowledge Individuals or of any other Person, shall be imputed to the Seller Knowledge Individuals. The Seller Knowledge Individuals is not party to this Agreement and shall not be subject to any personal liability hereunder.

(f) Limitations with respect to Seller's Representations.

(i) The representations and warranties of Seller set forth in Section 10(c) and Section 10(d) are subject to the following limitation: in the event that (A) prior to the Closing, Purchaser shall obtain knowledge of any information that is contradictory to, and would constitute the basis of a breach of, any representation or warranty of Seller and (B) Purchaser does not, prior to Closing deliver to Seller notice of such information specifying the representation, warranty or condition to which such information relates, then such representations and warranties shall be deemed modified to conform to such information and Purchaser shall be deemed to have knowledge thereof, and Purchaser shall not be entitled to bring any action after the Closing Date based on such information. For all purposes of this Agreement, Purchaser's knowledge shall be deemed to include (A) all facts and items disclosed in the Schedules attached hereto, (B) all information posted to https://services.intralinks.com/web/index.html?brandId=1#workspace/11248715/documents (the "**Data Site**") as of the date which is two (2) business days prior to the Effective Date (or, for purposes of Section 9(b)(i), two (2) business days prior to the Closing Date, as applicable), (C) all information set forth in the

Third Party Reports and any updates to any of the foregoing obtained by or on behalf of or delivered to Purchaser, in each case, as of the date which is two (2) business days prior to the Effective Date (or, for purposes of Section 9(b)(i), two (2) business days prior to the Closing Date, as applicable), (D) all information set forth in any written reports obtained by or on behalf of or delivered to Purchaser in connection with Purchaser's due diligence, and (E) all information disclosed to Purchaser or Purchaser's outside regulatory counsel in writing and received as of the date which is two (2) business days prior to the Effective Date (or, for purposes of Section 9(b)(i), two (2) business days prior to the Closing Date, as applicable).

(ii) Seller shall have the right to amend or supplement the Schedules referenced in Section 10(d) from time to time without Purchaser's consent to the extent that (on account of facts or circumstances first arising after the Effective Date or that are qualified to Seller's Knowledge), first arising to Seller's Knowledge after the Effective Date (though such facts or circumstances relate to the period prior to the Effective Date) which, in either such case, do not constitute or arise out of the breach by any Seller of its obligations hereunder such Schedule needs to be amended or supplemented to maintain the truth or accuracy of Seller's representations in Section 10(d), as applicable, representation or warranty or the information disclosed therein, by providing a written copy of such amendment or supplement to Purchaser. If at any time prior to the Closing (i) Seller makes any such amendment or supplement to such Schedules which do not constitute or arise out of the breach by Seller of its obligations hereunder, and (ii) the new disclosure information provided in clause (i) evidences or results (or could reasonably be expected to result) in an Individual Material Adverse Effect or Aggregate Material Adverse Effect, then Purchaser, as its sole remedy prior to Closing, shall have the right to terminate this Agreement, provided that any election by Purchaser to terminate this Agreement shall not be effective unless Seller fails to either (A) to elect to cure the fact or circumstance giving rise to such disclosure item(s) by written notice to Purchaser within five (5) business days of Purchaser's termination notice or (B) to cure the fact or circumstance giving rise to such disclosure item(s) within thirty (30) days following the delivery of Purchaser's termination notice.

(g) Purchaser Representations and Warranties. Purchaser hereby represents and warrants to Seller that:

(i) Purchaser is duly organized, validly existing and in good standing under the laws of its state of organization, and has the full power and authority to enter into and perform this Agreement in accordance with its terms. This Agreement and all documents executed by Purchaser which are to be delivered to Seller at Closing are, and at the time of Closing will be, duly authorized, executed and delivered by Purchaser, and at the time of Closing will be the legal, valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their respective terms, and do not and, at the time of Closing will not, violate any provision of Purchaser's governing organizational documents, any agreement by which Purchaser is bound, or any Law, judgment or court order binding upon Purchaser or to which Purchaser is subject. Other than in connection with the matters described in Section 8(e), no consent of any member, manager, Governmental Authority or other party is necessary for the execution, delivery and performance by Purchaser of this Agreement other than any such consent that has already been obtained.

(ii) Purchaser is not now nor shall it be at any time prior to or at the Closing a Person with whom a U.S. Person, is prohibited from transacting business of the type contemplated by this Agreement, whether such prohibition arises under United States law, regulation, executive orders and lists published by OFAC (including those executive orders and lists published by OFAC with respect to Persons that have been designated by executive order or by the sanction regulations of OFAC as Specially Designated Nationals and Blocked Persons) or otherwise. Neither Purchaser nor, to Purchaser's knowledge, any Person who owns an interest in Purchaser (other than the owner of publicly traded shares) (collectively, a "**Purchaser Sponsor Party**") is now nor shall be at any time prior to or at the Closing a Person with whom a U.S. Person, including a Financial Institution, is prohibited from transacting business of the type contemplated by this Agreement, whether such prohibition arises under United States law, regulation, executive orders and lists published by the OFAC (including those executive orders and lists published by OFAC with respect to Specially Designated Nationals and Blocked Persons) or otherwise.

(iii) Neither Purchaser nor, to Purchaser's knowledge, any Purchaser Sponsor Party, nor any Person providing funds to Purchaser to be used to consummate the transaction contemplated by this Agreement: (A) is under investigation by any Governmental Authority for, or has been charged with, or convicted of, money laundering, drug trafficking, terrorist related activities, any crimes which in the United States would be predicate crimes to money laundering, or any violation of any Anti-Money Laundering Laws; (B) has been assessed civil or criminal penalties under any Anti-Money Laundering Laws; or (C) has had any of its funds seized or forfeited in any action under any Anti-Money Laundering Laws.

(iv) Purchaser is in compliance with all applicable provisions of the Patriot Act.

(v) No filing with, and no permit, authorization, consent or approval of, any Governmental Authority or other Person is necessary for the consummation by Purchaser of the transactions contemplated by this Agreement other than the Bridging Approvals and/or Licensure Approvals. Neither the execution and delivery of this Agreement by Purchaser, nor the consummation by Purchaser of the transactions contemplated under this Agreement, nor compliance by Purchaser with any of the terms of this Agreement will: (A) violate any provision of the organizational or governing documents of Purchaser; or (B) violate any Legal Requirements to which Purchaser are subject.

(vi) There are no judgments, orders or decrees of any kind against Purchaser unpaid and unsatisfied of record, nor any actions, suits or other legal or administrative proceedings pending or, to Purchaser's knowledge, threatened in writing against Purchaser, which would have a material adverse effect on Purchaser, its financial condition or its ability to consummate the transactions contemplated by this Agreement.

(vii) Purchaser has or will have at the Closing Date, sufficient cash, available lines of credit or other sources of immediately good funds to enable it to make payment of the Purchase Price and any other amounts to be paid by it hereunder.

(h) Indemnification.

(i) By Purchaser. Subject to the provisions of Section 10(i), from and after the Closing, Purchaser shall indemnify, defend and hold harmless Seller, its affiliates, and their respective officers, directors, employees, shareholders, members, partners, agents, representatives, successors and assigns ("**Seller Indemnitees**") from and against all claims, losses, taxes, liabilities, damages (excluding special, consequential or punitive damages, except to the extent actually imposed upon an indemnitee) by one or more third parties, deficiencies, interest and penalties, costs and expenses, including, without limitation, losses resulting from the defense, settlement and/or compromise of a claim and/or demand and/or assessment, reasonable, out-of-pocket attorneys', accountants' and expert witnesses' fees, costs and expenses of investigation, and the costs and expenses of enforcing the indemnification provided hereunder (hereafter individually a "**Loss**" and collectively "**Losses**") incurred by any of Seller Indemnitees arising out of or relating to: (A) any breach of any representation or warranty made by Purchaser in this Agreement, (B) any breach of any covenant or agreement of Purchaser contained in this Agreement, or (C) claims asserted by third parties relating to the ownership, operation, management, maintenance or repair of any of the Properties first arising or accruing from and after the Closing Date.

(ii) By Seller. Subject to the provisions of Section 10(i), from and after the Closing, Seller shall indemnify, defend and hold harmless Purchaser and New Operator, their affiliates, and their respective officers, directors, employees, shareholders, members, partners, agents, representatives, successors and assigns (collectively, "**Purchaser Indemnitees**") from and against all Losses incurred by any of Purchaser Indemnitees arising out of or relating to: (A) any breach of any representation or warranty made by Seller in this Agreement, (B) any breach of any covenant or agreement of Seller contained in this Agreement, (C) any breach of any representation or warranty made by Guarantor in this Agreement, (D) any breach of any covenant or agreement of Guarantor contained in this Agreement, (E) claims asserted by third parties relating to the ownership, operation, management, maintenance or repair of the Properties, but only if and to the extent such Losses first arise or accrue prior to the Closing Date, even if such claim is asserted on or after the Closing Date, and, without limiting Seller's obligations under the foregoing clauses (A), (B), (C), or (D) are not related to the environmental condition of the Properties, and (F) without limiting Seller's obligations under the foregoing clauses (A), (B), (C), (D) or (E), any amounts due or that may become due as a result of (I) any determination by Medicare or Medicaid or any other Government Sponsored Health Care Program that any amounts paid to Seller for any services provided by Seller at a Property (including, for the avoidance of doubt, any claims with respect to Medicare advance payments) prior to the Closing Date resulted in (x) an overpayment, (y) cost report adjustments, or (z) any other recoupment or determination that funds previously paid by such payor must be repaid, and (II) any fines, penalties, assessments, and other charges associated with any such determinations (including any claims, litigation, losses, or other liabilities related to or arising from any violation of any federal or state false claims law, including, without limitation, the civil False Claims Act (31 U.S.C. §§ 3729 et seq.) or the administrative False Claims Law (42 U.S.C. § 1320a-7b(a))), in each case except to the extent Purchaser has received a credit therefor under Section 7 or Section 8.

(iii) Limitations. Seller shall not be required to indemnify any Purchaser Indemnitees, and Purchaser shall not be required to indemnify any Seller Indemnitees,

as applicable, or otherwise have any liability under this Agreement from and after the Closing, unless and until the aggregate amount of all such Losses for such matters exceeds [***] (the "**Threshold Amount**"), in which event Seller Indemnitees or Purchaser Indemnitees, as applicable will be entitled to recover all Losses arising out of or relating to such matters (provided, that Purchasers or Seller's obligations hereunder, as applicable, shall be reduced on a dollar-for-dollar basis by the aggregate amount of insurance proceeds, tax benefits, indemnification payments and other third-party payments, actually recovered by the Seller Indemnitees or Purchaser Indemnitees, as applicable, in connection with such claims). In addition, from and after the Closing, (x) Seller's maximum liability to Purchaser and all other Purchaser Indemnitees, with respect to any claim for indemnification under this Section 10(h) or otherwise under any provisions of this Agreement that survive the Closing (other than under Section 10(h)(ii)(F)), and (y) Purchaser's maximum liability to Seller and all other Seller Indemnitees, with respect to any claim for indemnification under this Section 10(h) or otherwise under any provisions of this Agreement that survive the Closing , shall not, in the case of either of the foregoing clause (x) or clause (y), exceed [***] of the Purchase Price in the aggregate; provided, that: (I) Seller's liability for (A) breaches of the representations and warranties contained in Section 10(c) and Section 38(c) (collectively, the "**Fundamental Representations**"), (B) fraud by Seller, and (C) Seller's surviving obligations under Article 7, Section 13(a) and Section 33 and Seller's indemnification obligations under this Section 10(h) relating thereto, shall not be subject to the foregoing limitation; (II) Seller's liability for indemnification under clause (F) of Section 10(h)(ii) above shall not be subject to the foregoing limitation but instead shall not exceed [***] of the Purchase Price in the aggregate; and (III) Purchaser's liability for (A) breaches of the representations and warranties contained in clauses (i)–(iv) of Section 10(g), (B) fraud by Purchaser, and (C) Purchaser's surviving obligations under Article 7, Section 13(b) and Section 33 and Purchaser's indemnification obligations under this Section 10(h) relating thereto, shall not be subject to the foregoing limitation.

(iv) Subject to the provisions of Section 10(i), the provisions of this Section 10(h) shall survive the Closing.

(i) Survival.

(i) The following rules shall apply with respect to the survival periods:

(1) The Fundamental Representations, the representations and warranties contained in clauses (i)-(iv) of Section 10(g), Seller's and Purchaser's respective indemnification obligations under Section 10(h) relating thereto, and Seller's and Purchaser's surviving obligations under Section 7, Section 13, Section 27 and Section 33, shall survive the Closing for a period of [***].

(2) The representations and warranties of Seller contained in Section 10(d)(xiv) and (xvi)–(xix) and Seller's indemnification obligations under Section 10(h)(ii) relating thereto, and Seller's indemnification obligations under clause (F) of Section 10(h)(ii) shall survive the Closing until the later to occur of (x) the date that is three (3) years after the Closing Date and (y) the date that is the earlier to occur of

(I) the date that is [***] after the Closing Date and (II) the date on which a Guarantor Corporate Event occurs.

(3) The representations and warranties of Seller contained in Section 10(d) (other than Section 10(d)(xiv) and (xvi)–(xix)), the representations and warranties of Purchaser contained in Section 10(g) (other than clauses (i)–(iv) of Section 10(g)), and Seller's and Purchaser's respective indemnification obligations under Section 10(h) relating thereto, and all other obligations under any provisions of this Agreement that survive the Closing (other than as set forth in clause (1) or clause (2) above), shall survive the Closing for a period of [***]. Each of the foregoing time periods is referred to herein, as applicable, as a "**Survival Period**".

(ii) Notwithstanding the foregoing, if prior to 11:59 p.m. (ET) on the last day of the applicable Survival Period (the "**Claim Period**"), an indemnifying party shall have been properly notified of a claim for indemnity hereunder and such claim shall not have been finally resolved or disposed of at such date, and the indemnified party shall have filed suit on such claim within thirty (30) days after the expiration of the Claim Period, then such claim shall continue to survive and shall remain a basis for indemnity hereunder until such claim is finally resolved or disposed of in accordance with the terms in this Agreement.

(iii) Notwithstanding anything to the contrary contained in this Agreement, nothing herein will limit or otherwise affect (A) Purchaser's or any Purchaser Indemnitees' right or ability to make, pursue, enforce or prosecute a claim resulting from fraud by Seller, and (B) Seller's or any Seller Indemnitees' right or ability to make, pursue, enforce or prosecute a claim resulting from fraud by Purchaser.

(j) Indemnification Procedure.

(i) Direct Claims. If either a Purchaser Indemnitee, on the one hand, or a Seller Indemnitee, on the other hand, shall have a claim for indemnification hereunder (the "**Indemnitee**") for any claim other than a claim asserted by a third party, the Indemnitee shall, as promptly as is practicable, give written notice to the party from whom indemnification is sought (the "**Indemnitor**") of the nature and, to the extent practicable, a good faith estimate of the amount, of the claim. The failure to make timely delivery of such written notice by the Indemnitee to the Indemnitor shall not relieve the Indemnitor from any liability under this Section 10(j) with respect to such matter, except to the extent the Indemnitor is actually materially prejudiced by failure to give such notice.

(ii) Third-Party Actions.

(1) If an Indemnitee receives notice or otherwise obtains knowledge of any matter or any threatened matter that may give rise to an indemnification claim against the Indemnitor, then the Indemnitee shall promptly deliver to the Indemnitor a written notice describing, to the extent practicable, such matter in reasonable detail. The failure to make timely delivery of such written notice by the Indemnitee to the Indemnitor shall not relieve the Indemnitor from any liability under this Section 10(j) with respect to such matter, except to the extent the Indemnitor is actually materially prejudiced by failure to give such notice. The Indemnitor shall have the right,

at its option, to assume the defense of any such matter with its own counsel, but only if the Indemnitor simultaneously agrees to indemnify the Indemnitee for such matter.

(2) If the Indemnitor elects to assume the defense of and indemnification for any such matter, then:

(A) notwithstanding anything to the contrary contained in this Agreement, the Indemnitor shall not be required to pay or otherwise indemnify the Indemnitee against any attorneys' fees or other expenses incurred on behalf of the Indemnitee in connection with such matter following the Indemnitor's election to assume the defense of such matter, unless (x) the Indemnitor fails to defend diligently the action or proceeding within ten (10) days after receiving notice of such failure from the Indemnitee, (y) the Indemnitee reasonably shall have concluded (upon advice of its counsel) that there may be one or more legal defenses available to such Indemnitee or other Indemnitees that are not available to the Indemnitor, or (z) the Indemnitee reasonably shall have concluded (upon advice of its counsel) that, with respect to such claims, the Indemnitee and the Indemnitor may have different, conflicting, or adverse legal positions or interests;

(B) the Indemnitee shall, at its own expense, make available to the Indemnitor all books, records and other documents and materials that are under the direct or indirect control of the Indemnitee or any of the Indemnitee's agents and that the Indemnitor considers necessary or desirable for the defense of such matter, and cooperate in all reasonable ways with, and make its employees and advisors available or otherwise render reasonable assistance to, the Indemnitor and its agents; and

(C) the Indemnitor shall not, without the written consent of the Indemnitee, which shall not be unreasonably withheld or delayed, settle or compromise any pending or threatened litigation in respect of which indemnification may be sought hereunder (whether or not the Indemnitee is an actual or potential party to such litigation) or consent to the entry of any judgment (x) which does not, to the extent that the Indemnitee may have any liability with respect to such litigation, include as an unconditional term thereof the delivery by the claimant or plaintiff to the Indemnitee of a written release of the Indemnitee from all liability in respect of such litigation, (y) which includes any statement as to or an admission of fact, culpability or a failure to act, by or on behalf of the Indemnitee, or (z) in any manner that involves any injunctive relief against the Indemnitee or may materially and adversely affect the Indemnitee.

(3) If the Indemnitor elects not to assume the defense of and indemnification for such matter, then the Indemnitee shall proceed diligently to defend such matter with the assistance of counsel reasonably satisfactory to the Indemnitor; provided, that the Indemnitee shall not settle, adjust or compromise such matter, or admit any liability with respect to such matter, without the prior written consent of the Indemnitor, such consent not to be unreasonably withheld or delayed.

(iii) Tax Treatment. Seller and Purchaser agree to treat any indemnity payment made pursuant to this Section 10(j) as an adjustment to the purchase price for federal, state, local and foreign income tax purposes.

(k) Survival. The provisions of this Section 10 shall survive the termination of this Agreement and the Closing.

11. DAMAGE AND DESTRUCTION.

(a) If, prior to the Closing, any of the Properties shall be damaged by fire or other casualty (collectively "**Casualty**"), Seller shall promptly deliver to Purchaser a Notice ("**Casualty Notice**") of such event. Upon Purchaser's receipt of a Casualty Notice, Seller and Purchaser shall meet promptly to estimate the cost to repair and restore the Improvements to good condition and to replace the damaged Personalty ("**Casualty Renovation Cost**"). If the parties are unable to agree on the cost of restoration, the matter will be submitted to an engineer designated by Seller, licensed to practice in the state in which the applicable Property is located, and the engineer shall resolve the dispute.

(b) If the Casualty Renovation Cost exceeds either (i) [***] of the Purchase Price or [***] of the allocated Purchase Price for the affected Property (a "**Material Casualty**"), then Purchaser may, at its option, elect to terminate this Agreement, by Notice to Seller within ten (10) business days after the date that the Casualty Renovation Cost is determined (and if necessary the Scheduled Closing Date will be extended to accommodate such ten (10) business day period), in which case the Deposit shall be returned to Purchaser. If Purchaser does not elect to terminate this Agreement, then the Closing shall take place as provided herein without reduction of the Purchase Price and the applicable Seller shall assign the insurance proceeds to Purchaser and shall credit Purchaser with amount of any deductible not already otherwise paid by Seller under applicable insurance policies.

(c) If the Casualty is not a Material Casualty, then neither party hereto shall have any right to terminate this Agreement, the Closing shall take place as provided herein without reduction of the Purchase Price, and the applicable Seller shall assign the insurance proceeds to Purchaser and shall credit Purchaser with the amount of any deductible under applicable insurance policies.

12. CONDEMNATION.

If, prior to the Closing Date, Seller receives notice that a material portion of a Property (or access or other material rights in connection therewith) as would materially adversely affect the use and operation of the Property is, or has been threatened in writing by a Governmental Authority of competent jurisdiction, to be taken by condemnation or eminent domain, Seller shall promptly notify Purchaser, and Purchaser may, at its option, elect to terminate this Agreement, by Notice to Seller within ten (10) business days after the date of Seller's notice of such event or of the condemning authorities' intention so to take the Property (and if necessary the Scheduled Closing Date will be extended to accommodate such ten (10) business day period), in which case the Deposit shall be returned to Purchaser. If Purchaser does not elect to terminate this Agreement as aforesaid, then on the Closing Date all of the proceeds of any award or payment made or to be made by reason of such taking shall be assigned by Seller to Purchaser, and any

money theretofore received by Seller in connection with such taking shall be paid over to Purchaser, and Purchaser shall pay the Purchase Price without abatement by reason of such taking. Seller shall not settle, agree to, or accept any award or payment in connection with a taking of less than all of the Property without obtaining Purchaser's prior written consent in each case, which consent shall not be unreasonably withheld or delayed.

13. BROKERS AND ADVISORS.

(a) Seller represents and warrants to Purchaser that it has not dealt or negotiated with, or engaged on its own behalf or for its benefit, any broker, finder, consultant, advisor, or professional in the capacity of a broker or finder (each a "**Broker**") except for CSCA Capital Advisors, LLC ("**CSCA**") in connection with this Agreement or the transactions contemplated hereby. Seller shall agrees to indemnify, defend and hold Purchaser and the Purchaser Indemnitees, harmless from and against any and all Losses arising from any claim for commission, fees or other compensation or reimbursement for expenses made by any Broker engaged by or claiming to have dealt with Seller in connection with this Agreement or the transactions contemplated hereby. Seller shall compensate CSCA in accordance with the terms of a separate written agreement between Seller's affiliate and CSCA.

(b) Purchaser represents and warrants to Seller that it has not dealt or negotiated with, or engaged on its own behalf or for its benefit, any Broker in connection with this Agreement or the transactions contemplated hereby except CSCA in connection with this Agreement or the transactions contemplated hereby. Purchaser shall to indemnify, defend and hold Seller and the other Seller Parties harmless from and against any and all Losses arising from any claim for commission, fees or other compensation or reimbursement for expenses made by any Broker (excluding CSCA) engaged by or claiming to have dealt with Purchaser in connection with this Agreement or the transactions contemplated hereby.

(c) The provisions of this Section 13 shall survive the termination of this Agreement or the Closing.

14. TRANSFER TAXES AND TRANSACTION COSTS.

(a) At the Closing, Seller and Purchaser shall execute, acknowledge, deliver and file all such returns as may be necessary to comply with the laws and regulations of all Governmental Authorities having jurisdiction over the Properties (collectively, as the same may be amended from time to time, the "**Transfer Tax Laws**") (and Seller shall cooperate with respect thereto as necessary). The transfer taxes payable pursuant to the Transfer Tax Laws shall collectively be referred to as the "**Transfer Taxes**". Seller shall pay (or cause to be paid) to the appropriate Governmental Authority the Transfer Taxes payable in connection with the consummation of the transactions contemplated by this Agreement. Purchaser shall be solely responsible for, and shall report and pay, all state and local sales or use taxes imposed in connection with the sale and transfer of any Personalty.

(b) Purchaser shall reimburse Seller for the cost (as supported by invoices or other reasonable documentation) of obtaining the title commitments, Initial Surveys, the Initial Zoning Reports, the Phase I environmental site assessments and the property condition reports, in each case, listed on Schedule 14(b) (collectively, "**Third Party Reports**"); provided, that

Purchaser shall not be obligated to reimburse Seller for the cost of Third Party Reports in an aggregate amount in excess of $215,504.00. Purchaser shall be responsible for the premiums and fees for title examination and title insurance and endorsements obtained by Purchaser and related charges and survey costs (including, without limitation, any costs to update the Initial Surveys) in connection therewith.

(c) Purchaser shall be responsible for the payment of any mortgage taxes or recording fees for the mortgage securing Purchaser's loan and all other expenses relating to Purchaser's financing. Purchaser shall be responsible for the payment of any premiums and fees for title examination and title insurance and endorsements obtained by Purchaser and related charges and survey costs in connection therewith incurred in connection Purchaser's financing.

(d) Each of Seller and Purchaser shall be responsible for the costs of its own legal counsel, advisors and other professionals in connection with the transactions contemplated by this Agreement.

(e) Seller shall be responsible for any commissions and other amounts due CSCA pursuant to a separate written agreement with CSCA.

(f) All other costs pertaining to the sale of each Property shall be allocated as is customary for commercial real estate transactions where the applicable Property is located.

(g) The provisions of this Section 14 shall survive the Closing.

15. DELIVERIES TO BE MADE ON THE CLOSING DATE.

(a) Seller's Documents and Deliveries: On the Closing Date, Seller shall deliver or cause to be delivered to Purchaser the following:

(i) with respect to each fee-owned Property, a duly executed and acknowledged bargain and sale deed with covenants against grantor's acts with respect to such Property in a form that complies with the local recording requirements for the jurisdiction in which such Property is located;

(ii) with respect to each Property, a duly executed bill of sale in the form of Exhibit D;

(iii) a duly executed certification as to each Seller's non-foreign status as prescribed in Section 19, if appropriate, in the form of Exhibit E-1–E-2;

(iv) the Title Affidavit;

(v) originals or, if originals are unavailable, copies, of all books, records, operating reports, financial statements, files, plans and specifications, and other materials but only to the extent in Seller's possession that are necessary or beneficial to the continuity of ownership of the Properties, including without limitation originals of all permits and licenses and other material documents necessary to operate the Properties;

(vi) a certificate dated as of the Closing Date, certifying that the condition set forth in Section 9(b)(i) is satisfied as of such date; and

(vii) a duly executed termination of the Operating Leases and of the Master Lease;

(viii) Any Summit Lease Estoppel Certificate received by Seller; and

(ix) the necessary certificates of titles duly endorsed for transfer of title or assignment of leases relating to any vehicles owned or leased by Seller and constituting part of the Seller Assets.

(b) Purchaser's Documents and Deliveries: On the Closing Date, Purchaser shall deliver or cause to be delivered to Seller the following:

(i) Payment of an amount equal to the Purchase Price in accordance with Section 4 hereof, as adjusted pursuant to the express provisions of this Agreement, payable at the Closing by 1:00 P.M., New York time, on the Closing Date in the manner required under this Agreement; and

(ii) a certificate dated as of the Closing Date, certifying that the condition set forth in Section 9(a)(i) is satisfied as of such date.

(c) Jointly Executed Documents: Seller and Purchaser shall, on the Closing Date, each execute (or cause their applicable affiliates to execute), acknowledge (as appropriate) and exchange the following documents:

(i) an omnibus assignment and assumption agreement with respect to the Contracts, the Leases, the Licenses, the Operator Licenses, the Intangible Property, the Residency Agreements, and the books and records which are not considered Excluded Assets in the form of Exhibit F;

(ii) a closing statement acceptable to both Seller and Purchaser;

(iii) Bridging Documents with respect to each Property, if and to the extent the Licensure Approvals have not been obtained;

(iv) any other affidavits, consents, approvals, authority documents, resolutions and other documents or instruments required to be delivered by Seller or Purchaser or reasonably requested by the Title Company (so long as such request does not add additional warranties or covenants to Seller), pursuant to the terms of this Agreement or applicable Law in order to effectuate the transfer of title to the Properties to Purchaser;

(v) Such applicable sales tax or real property transfer tax forms or declarations or similar forms, duly executed by Seller and/or Purchaser, as required by applicable Legal Requirements;

(vi) Such disclosures, forms, returns and reports as are required by applicable state and local law in connection with the conveyance of real property as determined by Seller and Purchaser in good faith;

(vii) an assignment and assumption agreement, in the form attached hereto as Exhibit H, pursuant to which Millbrook Sublessor shall assign all of its right, title and interest in the Millbrook Sublease to WELL Trevi Tenant;

(viii) an assignment and assumption agreement, in the form attached hereto as Exhibit H, pursuant to which RiverVue Sublessor shall assign all of its right, title and interest in the RiverVue Sublease to WELL Trevi Tenant LLC;

(ix) Assignment and Assumption of Lease Documents, in the form attached hereto as Exhibit G, relating to the Lake Pointe Woods Lease and related Lease Documents, including (A) that certain Pledge Agreement dated as of February 1, 2019 by and between Watermark Lake Pointe Woods, LLC, a Delaware limited liability company (successor-in-interest to Fountains Lake Pointe Woods Owner NT-HCI, LLC), as landlord thereunder, and Alan G. Davis and Karen Louise Davis, collectively, as pledgor thereunder, and (B) that certain Amended and Restated Pledge Agreement dated as of February 1, 2019 by and between Watermark Lake Pointe Woods, LLC, a Delaware limited liability company (successor-in-interest to Fountains Lake Pointe Woods Owner NT-HCI, LLC), as landlord thereunder, and Joseph D. Mitchell and Sylvia Ann Mitchell, collectively, as pledgor thereunder, together with authorization in favor of Purchaser to file any related UCC-3 assignments of financing statements; and

(x) Assignment and Assumption of Lease Documents, in the form attached hereto as Exhibit G, relating to the Boca Ciega Bay Lease and related Lease Documents, including (A) that certain Pledge Agreement dated as of February 1, 2019 by and between Watermark Boca Ciega Bay, LLC, a Delaware limited liability company, as landlord thereunder, and Alan G. Davis and Karen Louise Davis, collectively, as pledgor thereunder, and (B) that certain Amended and Restated Pledge Agreement dated as of February 1, 2019 by and between Watermark Boca Ciega Bay, LLC, a Delaware limited liability company, as landlord thereunder, and Joseph D. Mitchell and Sylvia Ann Mitchell, collectively, as pledgor thereunder, together with authorization in favor of Purchaser to file any related UCC-3 assignments of financing statements.

16. CLOSING DATE.

(a) Subject to any rights to adjourn the Closing set forth in the Agreement, the closing of the transactions contemplated hereunder (the "**Closing**") shall be conducted in conjunction with Seller's defeasance payoff as a two-day Closing on November 30 and December 1, 2021 (December 1, 2021, as it may be adjourned from time to time pursuant to this Agreement, the "**Scheduled Closing Date**"; and the actual date of the Closing, the "**Closing Date**") with all of Seller's and Purchaser's closing documents and other deliverables, including the full Purchase Price, to close in escrow with the Escrow Agent on November 30, 2021. Time shall be of the essence with respect to Purchaser's and Seller's obligation to effectuate the Closing on the Scheduled Closing Date. The Closing shall occur through an escrow with Escrow

Agent, whereby Seller, Purchaser and their respective attorneys need not be physically present at the Closing and may deliver documents by courier or other means.

(b) Without limiting any other right of Seller to adjourn the Closing hereunder, in the event Seller's defeasance of Seller's existing mortgage loan is not ready to be closed despite Seller's use of commercially reasonable efforts to satisfy such condition, Seller shall have the right to adjourn the Scheduled Closing Date from time to time, on written notice to Purchaser any time prior to the Closing, to any date that is on or prior to December 31, 2021.

(c) Without limiting any other right of Purchaser or Seller to adjourn the Closing hereunder, in the event the condition to Closing set forth in Section 9(a)(iii) and Section 9(b)(iv) is not satisfied by the Scheduled Closing Date despite Purchaser's use of commercially reasonable efforts to satisfy such condition, Purchaser shall have the right to adjourn the Scheduled Closing Date from time to time, on written notice to Seller any time prior to the Closing, to any date that is on or prior to December 31, 2021.

17. NOTICES.

All notices, demands, requests or other communications (collectively, "**Notices**") required to be given or which may be given hereunder shall be in writing and shall be sent by (a) certified or registered mail, return receipt requested, postage prepaid, or (b) national overnight delivery service, or (c) email (provided that the original shall be simultaneously delivered by national overnight delivery service or personal delivery), or (d) personal delivery, addressed as follows:

If given to Seller:	c/o NorthStar Healthcare Income, Inc. 590 Madison Avenue, 34th Floor New York, New York 10022 Attention: Doug Bath Email: doug.bath@digitalbridge.com
With a copy to:	c/o NorthStar Healthcare Income, Inc. 590 Madison Avenue, 34th Floor New York, New York 10022 Attention: Legal Department Email: legal@digitalbridge.com
With a copy to:	Gibson, Dunn & Crutcher LLP 200 Park Avenue New York, NY 10166 Attention: Harry R. Silvera, Esq. Email: HSilvera@gibsondunn.com
If given to Purchaser:	c/o Welltower US Holdings LLC 4500 Dorr Street Toledo, Ohio 43615 Attention: General Counsel Email: legalnotice@welltower.com

With a copy to:	Sidley Austin LLP One South Dearborn Chicago, Illinois 60603 Attention: David Zampa Email: dzampa@sidley.com
If give to Escrow Agent:	Fidelity National Title Insurance Company 399 Sturges Avenue Mansfield, Ohio 44903 Attention: Suzanne A. Rippel Email: suzanne.rippel@fnf.com

Any Notice so sent by certified or registered mail, national overnight delivery service or personal delivery shall be deemed given on the date of receipt or refusal as indicated on the return receipt, or the receipt of the national overnight delivery service or personal delivery service. Any Notice sent by email shall be deemed given when received as confirmed by a non-automatically generated reply. A Notice may be given either by a party or by such party's attorney. Seller or Purchaser may designate, by not less than five (5) business days' notice given to the others in accordance with the terms of this Section 17, additional or substituted parties to whom Notices should be sent hereunder.

18. DEFAULT BY PURCHASER OR SELLER.

(a) If (i) Purchaser shall default in the payment of the Purchase Price or in the performance of any of its other obligations to be performed on the Closing Date pursuant to this Agreement or (ii) Purchaser shall default in the performance of any of its material obligations to be performed prior to the Closing Date pursuant to this Agreement and, with respect to any default under this clause (ii) only, such default shall continue for five (5) business days after notice to Purchaser, Seller's sole remedy by reason thereof shall be (A) to terminate this Agreement and, upon such termination, Seller shall be entitled to retain the Deposit (and any interest earned thereon) as liquidated damages for Purchaser's default hereunder, it being agreed that the damages by reason of Purchaser's default are difficult, if not impossible, to ascertain, and (B) receive reimbursement from Purchaser for the costs of the Third Party Reports, and thereafter Purchaser and Seller shall have no further rights or obligations under this Agreement except for those that are expressly provided in this Agreement to survive the termination hereof.

(b) If (i) Seller shall default in any of its obligations to be performed on the Closing Date pursuant to this Agreement or (ii) Seller shall default in the performance of any of its material obligations to be performed prior to the Closing Date pursuant to this Agreement and, with respect to any default under this clause (ii) only, such default shall continue for five (5) business days after notice to Seller, Purchaser as its sole remedy by reason thereof (in lieu of prosecuting an action for damages or proceeding with any other legal or equitable course of conduct, the right to bring such actions or proceedings being expressly and voluntarily waived by Purchaser following and upon advice of its counsel) shall have the right subject to the other provisions of this Section 18(b) (A) to seek to obtain specific performance of Seller's obligations hereunder, provided that any action for specific performance shall be commenced within thirty (30) days after such default, and if Purchaser prevails thereunder, Seller shall reimburse

Purchaser for all reasonable legal fees, court costs and all other reasonable costs of such action, or (B) to terminate this Agreement and to receive a return of the Deposit (together with any interest earned thereon) and reimbursement of Purchaser's out-of-pocket due diligence costs and legal fees incurred in connection with such due diligence and the negotiation of this Agreement, not to exceed [***] in the aggregate, it being understood that if Purchaser fails to commence an action for specific performance within ninety (90) days after such default, Purchaser's sole remedy shall be to receive a return of the Deposit (together with any interest earned thereon). If Purchaser elects to seek specific performance of this Agreement pursuant to clause (A) above, then as a condition precedent to any suit for specific performance, Purchaser shall on or before the Closing Date, time being of the essence, fully perform all of its obligations hereunder which are capable of being performed (other than the payment of the Purchase Price, which shall be paid as and when required by the court in the suit for specific performance). If Purchaser elects to terminate this Agreement pursuant to clause (B) above, upon such return and delivery of the Deposit (together with any interest accrued thereon), this Agreement shall terminate and neither party hereto shall have any further obligations hereunder except for those that are expressly provided in this Agreement to survive the termination hereof. Notwithstanding the foregoing, Purchaser shall have no right to seek specific performance if Seller shall be prohibited from performing its obligations hereunder by reason of any law, regulation, or other legal requirement applicable to Seller.

(c) The provisions of this Section 18 shall survive the termination hereof.

19. FIRPTA COMPLIANCE.

Each Seller shall comply with the provisions of the Foreign Investment in Real Property Tax Act, Section 1445 of the Code (as amended, "**FIRPTA**"). To inform Purchaser that withholding of tax is not required upon the disposition of a United States real property interest by Seller, Seller hereby represents and warrants that Seller is not a foreign person as that term is defined in the Internal Revenue Code and Treasury Regulations. On the Closing Date, Seller shall deliver to Purchaser a certification as to the non-foreign status of such Seller in the form of Exhibit E-1 with respect to any Seller that is a disregarded entity, Exhibit E-2 with respect to any Seller that is an entity that is not a disregarded entity, and shall comply with any temporary or final regulations promulgated with respect thereto and any relevant revenue procedures or other officially published announcements of the Internal Revenue Service of the U.S. Department of the Treasury in connection therewith. The "**Code**" means the Internal Revenue Code of 1986, as amended. "**Treasury Regulations**" means the income tax regulations promulgated under the Code, as amended from time to time.

20. ENTIRE AGREEMENT.

(a) This Agreement contains all of the terms agreed upon between Seller and Purchaser with respect to the subject matter hereof, and all prior agreements, understandings, representations and statements, oral or written, between Seller and Purchaser are merged into this Agreement.

(b) All agreements, covenants, liabilities, indemnities, representations, warranties and other obligations of Seller under this Agreement shall merge with the deed and

have no further effect or validity after Closing, and the acceptance of the deed by Purchaser shall be deemed full compliance by Seller with all of Seller's obligations hereunder and an acknowledgement and agreement by Purchaser that Seller is discharged therefrom and shall have no further obligation or liability with respect thereto, except for those provisions of this Agreement which expressly shall survive the Closing.

(c) The provisions of this Section 20 shall survive the Closing or the termination hereof.

21. AMENDMENTS.

This Agreement may not be changed, modified or terminated, except by an instrument executed by Seller and Purchaser. The provisions of this Section 21 shall survive the Closing or the termination hereof.

22. WAIVER.

No waiver by either party of any failure or refusal by the other party to comply with its obligations shall be deemed a waiver of any other or subsequent failure or refusal to so comply. The provisions of this Section 22 shall survive the Closing or the termination hereof.

23. PARTIAL INVALIDITY.

If any term or provision of this Agreement or the application thereof to any Person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to Persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and shall be enforced to the fullest extent permitted by law. The provisions of this Section 23 shall survive the Closing or the termination hereof.

24. SECTION HEADINGS.

The headings of the various sections of this Agreement have been inserted only for the purposes of convenience, and are not part of this Agreement and shall not be deemed in any manner to modify, explain, expand or restrict any of the provisions of this Agreement. The provisions of this Section 24 shall survive the Closing or the termination hereof.

25. GOVERNING LAW.

This Agreement shall be governed by the laws of the State of New York without giving effect to conflict of laws principles thereof. The provisions of this Section 25 shall survive the Closing or the termination hereof.

26. PARTIES; ASSIGNMENT AND RECORDING.

(a) This Agreement and the various rights and obligations arising hereunder shall inure to the benefit of and be binding upon Seller and Purchaser and their respective successors and permitted assigns.

(b) Purchaser may not assign or otherwise transfer this Agreement or any of its rights or obligations hereunder or any of the direct or indirect ownership interests in Purchaser, without first obtaining Seller's consent thereto; provided, that Purchaser may assign its rights under this Agreement to any entity that is directly or indirectly Controlled by Purchaser without the consent of, but upon notice to, Seller. For purposes of this Section 26, "**Control**" shall mean the ownership of 51% of the equity interests in such entity and possession of the power to direct or cause the direction of management, policies and activities of such entity, whether through ownership of voting securities, by contract or otherwise.

(c) Neither this Agreement nor any memorandum hereof may be recorded without the consent of Seller. Any breach of the provisions of this clause (c) shall constitute a default under this Agreement.

(d) The provisions of this Section 26 shall survive the Closing or the termination hereof.

27. CONFIDENTIALITY; PRESS RELEASES.

(a) Seller and Purchaser (and their respective partners, members, attorneys, agents, employees, underwriters and consultants) will each treat the transactions contemplated in this Agreement, the negotiations in connection herewith, and the information disclosed to such party by the other party as confidential and shall disclose the foregoing only to their respective partners, members, attorneys, agents, employees, underwriters and consultants or otherwise as reasonably required in connection herewith (and shall cause such recipients to keep such information confidential), giving it the same care as its own confidential information, and shall make no use of any such disclosed information not independently known to such party, except (i) in connection with the transactions contemplated hereby (ii) to the extent legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose the same or (iii) to the extent required by any federal, state, local or foreign laws, or by any rules or regulations of the United States Securities and Exchange Commission (or its equivalent in any foreign country) or any domestic or foreign public stock exchange or stock quotation system, that may be applicable to Seller, Purchaser or any of their direct or indirect constituent owners or affiliates. In the event of a termination of this Agreement, each party shall promptly return all such confidential information to the other party. Notwithstanding anything to the contrary contained in this Section 27(a), Purchaser shall also be permitted to disclose the same to its *bona fide* prospective lenders and investors.

(b) On or following the date hereof, Purchaser and Seller shall jointly issue a press release in the form previously agreed between the parties. Prior to the Closing Date, Purchaser and Seller shall confer and agree on any other press releases to be issued by either Purchaser or Seller (or both parties jointly) with respect to the transaction contemplated in this Agreement (and the appropriate time for making any such release). Except as permitted pursuant to this Section 27(b) or as may be required by law or in connection with any court or administrative proceeding or by any applicable regulation, including, without limitation, state or federal securities laws or requirements of the New York Stock Exchange, the Securities and Exchange Commission, rating agencies or similar agencies or bodies, neither Purchaser nor Seller shall issue any press releases (or other public statements) with respect to the transaction

contemplated in this Agreement without approval of the other party, which approval shall not be unreasonably withheld other than with respect to any disclosure of the Purchase Price (or any of the other terms hereof).

(c) The provisions of Section 27(a) shall survive the termination of this Agreement and the provisions of Section 27(b) shall survive the termination hereof or the Closing.

28. FURTHER ASSURANCES.

Seller and Purchaser will do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, assignments, notices, transfers and assurances as may be reasonably required by the other party for carrying out the intentions or facilitating the consummation of this Agreement. The provisions of this Section 28 shall survive the Closing.

29. THIRD PARTY BENEFICIARY.

This Agreement is an agreement solely for the benefit of Seller and Purchaser (and their permitted successors and/or assigns). No other Person, party or entity shall have any rights hereunder nor shall any other Person, party or entity be entitled to rely upon the terms, covenants and provisions contained herein. The provisions of this Section 29 shall survive the Closing or the termination hereof.

30. JURISDICTION AND SERVICE OF PROCESS.

The parties hereto agree to submit to personal jurisdiction in the State of New York in any action or proceeding arising out of this Agreement and, in furtherance of such agreement, the parties hereby agree and consent that without limiting other methods of obtaining jurisdiction, personal jurisdiction over the parties in any such action or proceeding may be obtained within or without the jurisdiction of any court located in New York and that any process or notice of motion or other application to any such court in connection with any such action or proceeding may be served upon the parties by registered or certified mail to or by personal service at the last known address of the parties, whether such address be within or without the jurisdiction of any such court. Any legal suit, action or other proceeding by one party to this Agreement against the other arising out of or relating to this Agreement (other than any dispute which, pursuant to the express terms of this Agreement, is to be determined by arbitration) shall be instituted only in the Supreme Court of the State of New York, County of New York or the United States District Court for the Southern District of New York, and each party hereby waives any objections which it may now or hereafter have based on venue and/or forum non-conveniens of any such suit, action or proceeding and submits to the jurisdiction of such courts. The provisions of this Section 30 shall survive the Closing or the termination hereof.

31. WAIVER OF TRIAL BY JURY.

Seller and Purchaser hereby irrevocably and unconditionally waive any and all right to trial by jury in any action, suit or counterclaim arising in connection with, out of or otherwise relating to this agreement. The provisions of this Section 31 shall survive the Closing or the termination hereof.

32. MISCELLANEOUS.

(a) It is expressly agreed by the parties hereto that time is of the essence with respect to this Agreement and any aspect hereof.

(b) This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument. Facsimile and portable document format (PDF) signatures shall have the same force and effect as original signatures.

(c) Any consent or approval to be given hereunder (whether by Seller or Purchaser) shall not be effective unless the same shall be given in advance of the taking of the action for which consent or approval is requested and shall be in writing. Except as otherwise expressly provided herein, any consent or approval requested of Seller or Purchaser may be withheld by Seller or Purchaser in its sole and absolute discretion.

(d) The obligations of each Seller under this Agreement shall be joint and several. The obligations of each Purchaser under this Agreement shall be joint and several.

(e) The provisions of this Section 32 shall survive the Closing or the termination hereof.

33. ATTORNEYS' FEES.

In the event of any litigation between the parties hereto to enforce any of the provisions of this Agreement or any right of either party hereto, the unsuccessful party to such litigation agrees to pay to the successful party all costs and expenses, including reasonable out-of-pocket attorneys' fees and disbursements, incurred herein by the successful party in and as part of the judgment rendered in such litigation. The provisions of this Section 33 shall survive the Closing or the termination hereof.

34. EXCULPATION.

(a) Except as otherwise set forth in Section 38 with respect to Guarantor, Purchaser agrees that it does not have and will not have any claims or causes of action against any Seller Party (other than Seller), arising out of or in connection with this Agreement or the transactions contemplated hereby. Except as otherwise set forth in Section 38 with respect to Guarantor, Purchaser agrees to look solely to Seller and Seller's interest in the Properties or, if the Closing has occurred, the net proceeds of the sale (subject to the limitations contained herein, including Section 10(j)(iii), to the extent applicable) for the satisfaction of any liability or obligation arising under this Agreement or the transactions contemplated hereby, or for the performance of any of the covenants, warranties or other agreements contained herein, and further agrees not to sue or otherwise seek to enforce any personal obligation against any of Seller's other assets or properties or any other Seller Parties (or their assets or properties) with respect to any matters arising out of or in connection with this Agreement or the transactions contemplated hereby. Without limiting the generality of the foregoing provisions of this Section 34(a), except as otherwise set forth in Section 38 with respect to Guarantor, Purchaser hereby unconditionally and irrevocably waives any and all claims and causes of action of any nature

whatsoever it may now or hereafter have against Seller Parties (other than Seller and other than with respect to the net proceeds of the sale), and hereby unconditionally and irrevocably releases and discharges such other Seller Parties from any and all liability whatsoever which may now or hereafter accrue in favor of Purchaser against such other Seller Parties (other than with respect to the net proceeds of the sale), in connection with or arising out of this Agreement or the transactions contemplated hereby.

(b) Seller agrees that it does not have and will not have any claims or causes of action against Purchaser or any other Purchaser Party, arising out of or in connection with this Agreement or the transactions contemplated hereby. Without limiting the generality of the foregoing provisions of this Section 34(b), Seller hereby unconditionally and irrevocably waives any and all claims and causes of action of any nature whatsoever it may now or hereafter have against the Purchaser Parties, and hereby unconditionally and irrevocably releases and discharges such Purchaser Parties from any and all liability whatsoever which may now or hereafter accrue in favor of Seller against such Purchaser Parties, in connection with or arising out of this Agreement or the transactions contemplated hereby.

(c) The provisions of this Section 34 shall survive the termination of this Agreement and the Closing.

35. CERTAIN DEFINED TERMS.

(a) The term "**Environmental Laws**" means all federal, state and local laws, statutes, ordinances and regulations, now or hereafter in effect, in each case as amended or supplemented from time to time, including, without limitation, all applicable judicial or administrative orders, applicable consent decrees and binding judgments relating to the regulation and protection of human health, safety, the environment and natural resources (including, without limitation, ambient air, surface, water, groundwater, wetlands, land surface or subsurface strata, wildlife, aquatic species and vegetation).

(b) The term "**Governmental Authority**" shall mean any (i) government, governmental agency, department, bureau, office, commission, board, authority, or instrumentality, or court of competent jurisdiction, in each case whether foreign, federal, state, or local or (ii) quasi-governmental authority exercising any authority under or for the account of any of the above and having jurisdiction over Seller and/or any of the Properties.

(c) The term "**Government Sponsored Health Care Program**" shall mean any plan or program providing health care benefits, whether directly through insurance or otherwise, that is funded directly, in whole or part, by a Governmental Authority, whether pursuant to one or more contracts with the applicable Governmental Authority or otherwise, including Medicare, state Medicaid programs, the TRICARE program, Medicare Advantage and managed Medicaid.

(d) The term "**Guarantor Corporate Event**" means, with respect to NorthStar Healthcare Income, Inc. ("**NHI**") and its subsidiaries, including Guarantor, on a consolidated basis (collectively, "**NHI Group**"), the occurrence of any of the following: (i) a liquidation, dissolution, or other winding down of the business of NHI Group (whether occurring in a single transaction or a series of transactions and however structured); (ii) the

acquisition of beneficial ownership of equity securities of NHI or Guarantor by an Independent Third Party or Independent Third Parties representing fifty percent (50%) or more of the issued and outstanding equity securities of NHI or Guarantor (on a fully diluted or converted basis), whether by merger, issuance or purchase of equity securities or otherwise (in each case whether occurring in a single transaction or a series of related transactions and however structured); (iii) a sale or other disposition to one or more Independent Third Parties of fifty percent (50%) or more of the assets (measured by total asset value as determined in accordance with generally accepted accounting principles (and excluding cash and cash equivalents)) held by the NHI Group as of the Closing Date (after giving effect to the Closing) (in each case whether occurring in a single transaction or a series of transactions and however structured); and (iv) any other transaction that is the substantial equivalent of any of the foregoing (however structured). The term "**Independent Third Party**" means any Person who does not control, is not controlled by, or is not under common control with, NHI.

(e) The term "**Hazardous Materials**" means (A) those substances included within the definitions of any one or more of the terms "hazardous materials," "hazardous wastes," "hazardous substances," "industrial wastes," and "toxic pollutants," as such terms are defined under the Environmental Laws, or any of them, (B) petroleum and petroleum products, including, without limitation, crude oil and any fractions thereof, (C) natural gas, synthetic gas and any mixtures thereof, (D) asbestos and/or any material which contains any hydrated mineral silicate, including, without limitation, chrysotile, amosite, crocidolite, tremolite, anthophylite and/or actinolite, whether friable or non-friable, (E) polychlorinated biphenyl ("**PCBs**") or PCB-containing materials or fluids, (F) radon, (G) any other hazardous or radioactive substance, material, pollutant, contaminant or waste, and (H) any other substance with respect to which any Environmental Law or Governmental Authority requires environmental investigation, monitoring or remediation.

(f) The term "**Health Care Laws**" shall mean (i) any and all applicable federal, state and local laws, statutes, codes, acts, ordinances, orders, judgments, decrees, injunctions, rules, and regulations of any applicable Governmental Authority ("**Laws**") relating to health care or insurance fraud and abuse, including, as applicable, the federal Anti-Kickback Statute (42 U.S.C. § 1320a-7b(b) and 41 U.S.C. §§ 51-58), the civil False Claims Act (31 U.S.C. § 3729 et seq.), the Exclusion Laws (42 U.S.C.§§ 1320a-7 and 1320a-7a), the Program Fraud Civil Remedies Act (31 U.S.C. §§ 3801-3812), the Civil Monetary Penalties Law (42 U.S.C. §§ 1320a and 1320a-7b), and the regulations promulgated pursuant to such statutes; (ii) the federal Food, Drug & Cosmetic Act (21 U.S.C. §§ 301 et seq.), the Federal Health Care Fraud Law (18 U.S.C. § 1347) and all federal and state laws, as applicable, related to pharmacology and dispensing medicines or controlled substances, and the regulations promulgated thereunder; (iii) any and all federal, state and local Laws concerning privacy and data security for patient information, including the Health Insurance Portability and Accountability Act of 1996 (42 U.S.C. §§ 1320d-1329d-8), as amended, and all federal and state laws concerning medical record retention, privacy, security, patient confidentiality and informed consent, and the regulations promulgated thereunder; (iv) Medicare (Title XVIII of the Social Security Act), as amended and the regulations promulgated thereunder, including, specifically, conditions of participation for skilled nursing facilities; (v) Medicaid (Title XIX of the Social Security Act) and the regulations promulgated thereunder; (vi) the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Pub. L. No. 108-173) and the regulations promulgated thereunder; (vii) the Patient

Protection and Affordable Care Act (Pub. L. 111-148) as amended by the Health Care and Education Reconciliation Act of 2010 (Pub. L. 111-152); (viii) quality, safety and accreditation standards and requirements of all applicable state Laws or regulatory bodies; (ix) federal, state and local Laws regulating the ownership, operation or licensure of an assisted living facility and/ or memory care facility, continuing care retirement community, skilled nursing facility or other applicable health care facility or business, or assets used in connection therewith, including such applicable Laws relating to licenses, approvals, certificates, certificates of need, permits, consents, authorizations and variances required for the management or operation of skilled nursing facilities, assisted living facilities, continuing care retirement communities, independent living facilities and memory care facilities; (x) federal, state and local Laws relating to the provision of management or administrative services in connection with the practice of a health care profession, employment of professionals by non-professionals, professional fee splitting, patient brokering, patient or program charges, claims submission, record retention, certificates of need, certificates of operations and authority; (xi) federal and state Laws with respect to financial relationships between referral sources and referral recipients, including, but not limited to the federal Stark Law (42 U.S.C. 1395nn et. seq.) and the regulations promulgated thereunder; and (xii) life safety codes.

(g) The term "**Person**" shall mean an individual, corporation, partnership, joint venture, association, joint stock company, trust, trustee, estate, limited liability company, unincorporated organization, real estate investment trust, government or any agency or political subdivision thereof, or any other form of entity.

(h) The term "**Third Party Payor**" shall mean any Government Sponsored Health Care Program, insurer, health benefit plan, health maintenance organization, preferred provider organization, employer-sponsored health plan, multi-employer welfare trust, or any other managed care program or third party payor, including any fiscal intermediary or contractor of any of the foregoing, to beneficiaries of which any Property provides goods or services.

36. STATE-SPECIFIC PROVISIONS. The provisions set forth in this Section 36 shall be deemed to modify this Agreement but solely with respect to the Properties located in such states.

(a) California. The following provisions shall apply solely to the Properties located in California:

(i) Natural Hazards. Natural hazards described in the Natural Hazard Laws (as defined below) may affect the Real Property and the Properties. Sellers have commissioned the delivery of, or has otherwise received, a natural hazard disclosure statement (the "**Natural Hazard Disclosure**"), including the matters required by that certain Article 1.7 of the California Civil Code (currently Section 1103 through 1103.15). Seller shall deliver the Natural Hazard Disclosure to Purchaser. Purchaser acknowledges that this transaction is not subject to such Article 1.7, but that nevertheless any Natural Hazard Disclosure shall serve to satisfy any and all disclosure requirements relating to the matters referenced in the Natural Hazard Disclosure. Seller does not warrant or represent either the accuracy or completeness of the information in any Natural Hazard Disclosure,

and Purchaser shall use same merely as a part in its overall investigation of the Real Property.

(ii) PURCHASER ACKNOWLEDGES THAT "**NATURAL HAZARDS**" DESCRIBED IN THE FOLLOWING CALIFORNIA CODE SECTIONS ("**NATURAL HAZARD LAWS**") MAY AFFECT THE REAL PROPERTY: GOVERNMENT CODE SECTIONS 8589.4 AND 8589.3; GOVERNMENT CODE SECTIONS 51183.4 AND 51183.5 (FIRE HAZARD SEVERITY ZONE); PUBLIC RESOURCE CODE SECTION 2621.9 (EARTHQUAKE FAULT ZONE); PUBLIC RESOURCE CODE SECTION 2694 (SEISMIC HAZARD ZONE); AND PUBLIC RESOURCE CODE SECTION 4136 (WILDLAND AREA). PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT PURCHASER HAS HAD THE OPPORTUNITY TO INDEPENDENTLY EVALUATE AND INVESTIGATE WHETHER ANY OR ALL OF SUCH NATURAL HAZARDS AFFECT THE REAL PROPERTY AND THE PROPERTIES AND SELLER SHALL HAVE NO LIABILITIES OR OBLIGATIONS WITH RESPECT THERETO. WITHOUT LIMITING THE FOREGOING, PURCHASER ACKNOWLEDGES AND AGREES THAT PURCHASER KNOWINGLY AND INTENTIONALLY WAIVES ANY DISCLOSURES, OBLIGATIONS OR REQUIREMENTS OF SELLER WITH RESPECT TO NATURAL HAZARDS, INCLUDING, WITHOUT LIMITATION, ANY DISCLOSURE OBLIGATIONS OR REQUIREMENTS UNDER THE AFOREMENTIONED CODE SECTIONS OR UNDER CALIFORNIA CIVIL CODE SECTION 1102. PURCHASER REPRESENTS THAT PURCHASER HAS EXPERIENCE ACQUIRING AND CONDUCTING DUE DILIGENCE AND THAT THIS WAIVER HAS BEEN NEGOTIATED AND IS AN ESSENTIAL ASPECT OF THE BARGAIN AMONG THE PARTIES HERETO.

(iii) IN ACCORDANCE WITH CALIFORNIA HEALTH AND SAFETY CODE SECTION 25359.7, PURCHASER FURTHER ACKNOWLEDGES THAT SELLER HAS INFORMED PURCHASER THAT THERE MAY BE HAZARDOUS SUBSTANCES LOCATED AT THE REAL PROPERTY AND THAT PURCHASER IS ADVISED TO FULLY INVESTIGATE THE EXISTENCE OF ANY HAZARDOUS SUBSTANCES AT THE REAL PROPERTY.

(iv) BY INITIALING BELOW, PURCHASER ACKNOWLEDGES THAT (i) THIS SECTION 36(a) HAS BEEN READ AND FULLY UNDERSTOOD, (ii) PURCHASER HAS HAD THE OPPORTUNITY TO ASK QUESTIONS OF ITS COUNSEL ABOUT ITS MEANING AND SIGNIFICANCE, AND (iii) PURCHASER HAS ACCEPTED AND AGREED TO THE TERMS SET FORTH IN THIS SECTION 36(a).

Purchaser's Initials: /s/ NC___

(v) General Release (Section 1542 of the California Civil Code). WITH RESPECT TO ANY RELEASE PROVISIONS SET FORTH IN THIS AGREEMENT, PURCHASER EXPRESSLY WAIVES THE BENEFITS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS: "A

GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Purchaser's Initials: /s/ NC___

(vi) Liquidated Damages. IN FURTHERANCE, AND WITHOUT LIMITATION OF THE PROVISIONS OF SECTION 18(a), THE PARTIES ACKNOWLEDGE THAT THE PAYMENT OF SUCH LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY AND IS NOT INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLER WITHIN THE MEANING OF CALIFORNIA CIVIL CODE §3275 OR §3369, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO THE SELLERS UNDER CALIFORNIA CIVIL CODE §§1671, 1676 AND 1677.

Seller's Initials: /s/ ABH____ Purchaser's Initials: /s/ NC___

(vii) California Required Plumbing Fixtures Disclosure. Purchaser acknowledges that Seller has informed Purchaser (i) of the requirements of California Civil Code Section 1101.5(a), which requires that on or before January 1, 2019 all noncompliant plumbing fixtures in any multifamily residential real property and in any commercial real property shall be replaced with water-conserving plumbing fixtures, and (ii) that any building alterations or improvements to the Real Property undertaken by Seller during its period of ownership of the Real Property include compliant plumbing fixtures. Seller makes no representations or warranties to Purchaser that any other plumbing fixtures at the Real Property comply with the requirements of California Civil Code Section 1101.5(a).

(viii) Health and Safety Code Section 25359.7. Section 25359.7 of the California Health and Safety Code requires owners of non-residential real property who know, or have reasonable cause to believe, that any release of hazardous substance has come to be located on or beneath the real property to provide written notice of such to a buyer of the real property. The parties hereto acknowledge that Seller has advised Purchaser that the sole inquiry and investigation Seller has conducted in connection with the environmental condition of the Real Property and the Properties is to obtain and/or review the Third Party Reports. Purchaser (a) acknowledges its receipt of the foregoing notice given pursuant to Section 25359.7 of the California Health and Safety Code; (b) is fully aware of the matters described in such Third Party Reports; and (c) after receiving advice of Purchaser's legal counsel, waives, to the extent permitted by applicable Legal Requirements, any and all rights Purchaser may have to assert that Seller has not complied with the requirements of Section 25359.7 of the California Health and Safety Code.

(ix) Nothing set forth in this Section 36(a) shall in any way modify, limit, alter or otherwise affect Seller's representations and warranties set forth in Section

10(d) hereof or Seller's indemnification obligations hereunder, including, but not limited to, those indemnification obligations set forth in Section 10(h)(ii) hereof.

(b) Florida. The following provisions shall apply solely to the Properties located in Florida:

(i) Radon Gas Notice. The following radon gas notice is given pursuant to Section 404.056, Florida Statutes. Radon is a naturally occurring radioactive gas that, when it is accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from any county public health unit in Florida.

(ii) Attorneys' Fees. The provisions for payment of reasonable attorneys' fees set out in Section 33 expressly includes all costs and fees incurred by the prevailing party in court-ordered mediation, at trial, in all appellate proceedings, in bankruptcy and administrative proceedings and in any proceedings to determine the reasonableness of such fees and costs.

(iii) Flood Area Hazard Zone Disclosure. The Properties may be located in a Special Flood Hazard Area. Flood insurance on structures may be required as a condition of financing. Purchaser is advised to verify any such requirements.

(iv) Energy-Efficiency Rating Information. In accordance with §553.996, Florida Statutes, Seller hereby notifies Purchaser of Purchaser's option for an energy-efficiency rating on the buildings located in the Properties in Florida. Seller make no representations or warranties as to any such energy-efficiency rating. Such information shall not constitute a basis for any claims against Seller with respect to the disclosures required under the Florida Building Energy-Efficiency Rating Act, nor shall Seller be liable or responsible to Purchaser for its reliance on any energy-efficiency rating obtained by Purchaser on its behalf.

(v) Coastal Construction Control Line. If all or part of the Properties is located seaward of the Coastal Construction Control Line ("**CCCL**") as defined in Section 161.053, Florida Statutes, such Property is subject to government regulation. Purchaser waives any requirement that Seller provide Purchaser with an affidavit, or a survey meeting the requirements of Chapter 472 of the Florida Statutes, delineating the location of the CCCL on the Property at or prior to Closing. The Properties being purchased may be subject to coastal erosion and to federal, state, or local regulations that govern coastal property, including the delineation of the coastal construction control line, rigid coastal protection structures, beach nourishment, and the protection of marine turtles. Additional information can be obtained from the Florida Department of Environmental Protection, including whether that are significant erosion conditions associated with the shoreline of the property being purchased.

(vi) Personalty. Seller represents and warrants that the sale of the Personalty pursuant to this Agreement is an isolated event related to the sale of the Real

Property Assets and the other Additional Assets, and Seller has not engaged in sales of such Personalty in the ordinary course business and is not a dealer in such Personalty.

(c) Oklahoma. The following provisions shall apply solely to the Properties located in Oklahoma:

(i) The Property located in the State of Oklahoma is LESS AND EXCEPT all oil, gas, and other minerals previously reserved or conveyed of record.

(ii) Title insurance covering the insured against loss or damage by reason of exploration, production, or other activities related to oil, gas, coal, metallic ores, and other minerals is not permitted in Oklahoma. The parties agree and acknowledge that any title insurance policy issued with respect to the Property in the State of Oklahoma will contain an exception to coverage substantially as follows: "All interest in and to all of the oil, gas, coal, metallic ores and other minerals in and under and that may be produced from insured premises, and all rights, interests and estates of whatsoever nature incident to or growing out of said outstanding minerals." Purchaser agrees that the presence of such exception in substantially such form shall not be reasonable grounds for non-approval of a title policy covering the Property located in Oklahoma.

(d) Washington. The following provisions shall apply solely to the Properties located in Washington:

(i) Seller may be required by RCW 64.06 to provide Purchaser with a completed commercial real estate statutory seller disclosure statement (the "**WA Seller Disclosure Statement**"). Purchaser and Seller agree that to the extent permissible, Purchaser intends to waive any and all rights Purchaser may have with respect to both the right to receive a WA Seller Disclosure Statement and the right to rescind this Agreement based on such WA Seller Disclosure Statement.

(ii) Notwithstanding such understanding, Purchaser and Sellers wish to comply with RCW 64.06, which provides that Purchaser may waive its right to receive the WA Seller Disclosure Statement; provided, that if the answer to any of the questions in the section of the WA Seller Disclosure Statement entitled "**Environmental**" would be "yes," Purchaser may not waive the receipt of the "**Environmental**" section of the WA Seller Disclosure Statement. By executing this Agreement, Purchaser acknowledges that (i) Purchaser has received, approved and accepted the "**Environmental**" section of the WA Seller Disclosure Statement, a copy of which is attached to this Agreement as Schedule 36(d) and (ii) Purchaser waives its right to receive any of the other sections of the WA Seller Disclosure Statement.

(iii) Purchaser further agrees that any information discovered by Purchaser concerning the Property shall not obligate Seller to prepare and deliver to Purchaser a revised or updated WA Seller Disclosure Statement. Purchaser hereby waives any right to receive any updated or revised WA Seller Disclosure Statement, regardless of the source of any new information. Purchaser further warrants that it is a sophisticated purchaser who is familiar with the ownership and development of real estate projects similar to the Property and Purchaser has or will have adequate

opportunity to complete such independent inspections of the Property it deems necessary, and will acquire the Property solely on the basis of and in reliance upon such examinations and not on any information provided in any WA Seller Disclosure Statement or otherwise provided or to be provided by Sellers (other than as expressly provided in this Agreement).

(e) North Carolina. Purchaser shall deliver a North Carolina residency affidavit, or all information required for to complete Form 1099 NRS, and Purchaser is hereby authorized to file Form 1099 NRS at or following Closing. Any "rollback" and related "deferred taxes" that are attributable to the period prior to the Closing Date shall be the obligations of Seller.

(f) Arizona. The following provisions shall apply solely to the Property located in Arizona:

(i) Transaction Privilege Taxes; Speculative Builder Taxes. Notwithstanding anything to the contrary herein, Seller shall be solely responsible for and shall pay at Closing through escrow all transaction privilege, speculative builder, sales, or similar taxes with respect to the La Cholla Property, and any taxes due as a result of the improvement and sale of the La Cholla Property. Seller shall remain liable and indemnify and defend Purchaser from liability for such taxes and interest and penalties; provided, that this indemnity shall be of no further force of effect if and when Seller delivers a Tax Clearance Certificate or similar clearance certificate provided by the Arizona Department of Revenue with respect to such taxes or other reasonable evidence that all such taxes have been paid. The provisions of this Section 36(f)(i) shall survive the Closing for a period of two (2) years (it being agreed that indemnification claims under this Section 36(f)(i) shall not be subject to the Threshold Amount).

(ii) Special Warranty Deed. Seller shall transfer the La Cholla Property by special warranty deed otherwise in accordance with this Agreement.

(iii) Affidavit of Property Value. Seller and Purchaser shall execute and deliver, or cause to be executed and delivered, an affidavit of property value for the La Cholla Property, and, to the extent applicable, Seller and Purchaser shall note the value the personal property being sold as part of the La Cholla Property in accordance with the allocations set forth in Schedule 4(a) hereof.

(g) Michigan. Seller represents and warrants that, to Seller's Knowledge, Seller has not received any written notice from any Governmental Authority of any pending or threatened assessment relating to stormwater drainage.

(h) Illinois. Seller hereby agrees to indemnify, defend and hold Purchaser harmless from and against any and all claims brought by the Illinois Department of Revenue claiming that Purchaser has any tax liability under the bulk sales laws of the State of Illinois as a result of Purchaser's purchase of the Properties located in Illinois on the Closing Date; provided, that this indemnity shall be of no further force of effect if and when Seller delivers a Tax Clearance Certificate or similar clearance certificate provided by the Illinois Department of Revenue or other applicable Governmental Authority with respect thereto or other reasonable evidence that all such taxes have been paid. This Section 36(h) shall survive Closing for a period

of two (2) years (it being agreed that indemnification claims under this Section 36(h) shall not be subject to the Threshold Amount).

(i) New York. Subject to, and without limiting, Purchaser's obligations under Section 7(a) to pay all state and local sales or use taxes imposed in connection with the sale and transfer of any Personalty with respect to each JV Property, Seller hereby agrees to indemnify, defend and hold Purchaser harmless from and against any and all claims under any New York State bulk sales taxes brought against Purchaser claiming that Purchaser has any tax liability under such bulk sales taxes as a result of Purchaser's purchase of the Properties located in New York. This Section 36(i) shall survive Closing for a period of two (2) years (it being agreed that indemnification claims under this Section 36(i) shall not be subject to the Threshold Amount).

37. 1031 EXCHANGE. Purchaser and Seller acknowledge and agree that, as part of this transaction, either of them may engage in a deferred or reverse exchange of like-kind property (an "**Exchange**") utilizing a qualified intermediary or an exchange accommodation titleholder pursuant to Section 1031 of the Code and the Treasury Regulations, promulgated thereunder or (for a reverse Exchange) IRS Rev. Proc. 2000-37, as amended. Notwithstanding any provision herein to the contrary, in the event either party (an "**Electing Party**") elects to engage in a deferred or reverse like-kind exchange, the other party (the "**Consenting Party**") agrees to consent to the assignment of the Electing Party's rights under this Agreement to a qualified intermediary or exchange accommodation titleholder in order to facilitate such deferred or reverse like-kind exchange. The Consenting Party agrees to execute any and all documents as may be necessary to consummate the purposes of this Section 37. Any actions taken by Purchaser and Seller in conformance with this Section 37 shall be at the cost of the Electing Party (except for minor legal fees incurred by the Consenting Party for review of Exchange-related documents). No action permitted under this Section 37, including without limitation any assignment of rights under this Agreement, shall relieve the Electing Party of any of its obligations or liabilities under this Agreement, whether occurring before, at or after the Closing Date. In connection with any Exchange, it is agreed that (i) the Consenting Party shall not assume any responsibility for the tax consequences to the Electing Party arising out of an Exchange and (ii) the Electing Party shall indemnify and hold the Consenting Party harmless from and against any and all loss, cost, damage, expense or other liability that the Consenting Party may incur or suffer in the performance of its obligations under this Section 37 or otherwise arising out of an Exchange effected by the Electing Party.

38. GUARANTY.

(a) As an inducement for Purchaser to enter into this Agreement and for other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, NorthStar Healthcare Income Operating Partnership LP, a Delaware limited partnership ("**Guarantor**"), an affiliate of Seller who will derive a direct or indirect benefit in connection with this Agreement, hereby absolutely, irrevocably and unconditionally guarantees to Purchaser (as set forth in this Section 38) the prompt payment and performance by Seller of its obligations to Purchaser under Section 10(h) of this Agreement (collectively, the "**Guaranteed Obligations**") as and when the same shall be due and payable in accordance with the terms of this Agreement and unconditionally covenants and agrees that it is liable for the Guaranteed

Obligations as a primary obligor. The guaranty set forth above in this Section 38 (the "**Guaranty**") is an irrevocable, absolute, continuing guaranty of prompt payment and performance and not a guaranty of collection. The obligations of Guarantor under this Guaranty shall be primary, irrevocable, direct and immediate and not conditional or contingent upon pursuit by Purchaser of any remedies it may have against Seller under this Agreement or any remedies it might have against any other person. This Guaranty may not be revoked by Guarantor and shall continue to be effective with respect to any Guaranteed Obligations arising or created after any attempted revocation by Guarantor. The fact that at any time or from time to time the Guaranteed Obligations may be increased or reduced or otherwise modified in any manner or to any extent shall not release, diminish or discharge the obligation of Guarantor to Purchaser with respect to the Guaranteed Obligations. This Guaranty may be enforced by Purchaser and its successors and assigns. If all or any part of the Guaranteed Obligations shall not be paid when due, Guarantor shall, on demand therefor and without other presentment, protest, notice of protest, notice of non-payment, notice of intention to accelerate, notice of acceleration, or any other notice whatsoever, all such notices being hereby waived by Guarantor, pay (within ten (10) business days of demand) in lawful money of the United States of America, the amount due on the Guaranteed Obligations to Purchaser.

(b) For a period of [***] following the Closing Date, Guarantor shall maintain (i) a net worth of not less than [***] (the "Net Worth Threshold") and (ii) Liquid Assets of not less than [***] (the "Liquid Assets Threshold"). As used here in the term "**Liquid Assets**" shall mean any of the following, but only to the extent owned by Guarantor, free of all security interests, liens, pledges, charges or any other encumbrance: (i) cash in United States dollars, (ii) certificates of deposit (with a maturity of two years or less) issued by, or savings account with, any United States bank, or (c) marketable securities listed on a national or international exchange, marked to market.

(c) Guarantor hereby represents and warrants to Purchaser that Guarantor is duly organized, validly existing and in good standing under the laws of its state of organization and has the full power and authority to enter into and perform this Guaranty in accordance with its terms. This Guaranty is, and at the time of Closing will be, duly authorized, executed and delivered by Guarantor, and at the time of Closing will be the legal, valid and binding obligations of Guarantor enforceable against Guarantor in accordance with its respective terms, and does not and, at the time of Closing will not, violate any provision of Guarantor's governing organizational documents, any material agreement by which Guarantor is bound, or any Law, judgment or court order binding upon Guarantor. The consummation by Guarantor of the transactions contemplated hereby do not require any approval by the stockholders of Guarantor's general partner, NorthStar Healthcare Income, Inc. No consent of any Governmental Authority or other party is necessary for the execution, delivery and performance by Guarantor of this Guaranty other than any such consent that has already been obtained.

(d) The obligations under this Section 38 shall be subject to the limitations applicable to Seller as set forth in this Agreement.

[NO FURTHER TEXT ON THIS PAGE; SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, Seller and Purchaser have caused this Agreement to be executed the day and year first above written.

SELLER: WATERMARK ALBEMARLE OWNER, LLC,
WATERMARK BOCA CIEGA BAY OWNER, LLC,
WATERMARK CRYSTAL LAKE OWNER, LLC,
WATERMARK GREENBRIAR OWNER, LLC,
WATERMARK LA CHOLLA OWNER, LLC,
WATERMARK MILLBROOK OWNER, LLC,
WATERMARK RIVERVUE OWNER, LLC,
WATERMARK WASHINGTON HOUSE OWNER, LLC,
WATERMARK BELLEVUE AP, LLC,
WATERMARK CRYSTAL LAKE AP, LLC,
WATERMARK MILLBROOK AP, LLC,
WATERMARK BRONSON AP, LLC,
WATERMARK ALBEMARLE, LLC,
WATERMARK BOCA CIEGA BAY, LLC,
WATERMARK CRYSTAL LAKE, LLC,
WATERMARK GREENBRIAR, LLC,
WATERMARK LA CHOLLA, LLC,
WATERMARK MILLBROOK, LLC,
WATERMARK RIVERVUE, LLC,
WATERMARK WASHINGTON HOUSE, LLC,
each a Delaware limited liability company

By: /s/ Ann B. Harrington_____
Name: Ann B. Harrington
Title: Authorized Signatory

FOUNTAINS BELLEVUE OWNER NT-HCI, LLC,
FOUNTAINS BRONSON PLACE OWNER NT-HCI, LLC,
FOUNTAINS CANTERBURY OWNER NT-HCI, LLC,
FOUNTAINS CARLOTTA OWNER NT-HCI, LLC,
FOUNTAINS LAKE POINTE WOODS OWNER NT-HCI, LLC,
FOUNTAINS SEA BLUFFS OWNER NT-HCI, LLC,
each a Delaware limited liability company

By: /s/ Ann B. Harrington_____
Name: Ann B. Harrington
Title: General Counsel and Secretary

PURCHASER: WELLTOWER INC., a Delaware corporation

By: /s/ Nikhil Chaudhri_____
Name: Nikhil Chaudhri
Title: Authorized Signatory

WELL TREVI TENANT LLC,
a Delaware limited liability company

By: /s/ Nikhil Chaudhri_____
Name: Nikhil Chaudhri
Title: Authorized Signatory

WELL TREVI CCRC TENANT LLC,
a Delaware limited liability company

By: /s/ Nikhil Chaudhri_____
Name: Nikhil Chaudhri
Title: Authorized Signatory

VACANT LAND PURCHASERS:

WELLTOWER TRS HOLDCO LLC,
a Delaware limited liability company

By: /s/ Nikhil Chaudhri_____
Name: Nikhil Chaudhri
Title: Authorized Signatory

WELLTOWER INC., a Delaware corporation

By: /s/ Nikhil Chaudhri_____
Name: Nikhil Chaudhri
Title: Authorized Signatory

SNF TENANT PURCHASERS:

WELL TREVI ALBERMARLE SNF LLC,
a Delaware limited liability company

By: /s/ Nikhil Chaudhri_____
Name: Nikhil Chaudhri
Title: Authorized Signatory

WELL TREVI BRONSON SNF LLC,
a Delaware limited liability company

By: /s/ Nikhil Chaudhri_____
Name: Nikhil Chaudhri
Title: Authorized Signatory

WELL TREVI CARLOTTA SNF LLC,
a Delaware limited liability company

By: /s/ Nikhil Chaudhri_____
Name: Nikhil Chaudhri
Title: Authorized Signatory

WELL TREVI WH SNF LLC,
a Delaware limited liability company

By: /s/ Nikhil Chaudhri_____
Name: Nikhil Chaudhri
Title: Authorized Signatory

SOLELY FOR PURPOSES OF AGREEING TO SECTION 38:

GUARANTOR:

NORTHSTAR HEALTHCARE INCOME OPERATING PARTNERSHIP, LP, a Delaware limited partnership

By: NORTHSTAR HEALTHCARE INCOME, INC., a Maryland corporation, its general partner

By: /s/ Ann B. Harrington
Name: Ann B. Harrington
Title: General Counsel and Secretary

ESCROW AGENT:

The undersigned Escrow Agent accepts the foregoing Portfolio Acquisition Agreement and agrees to act as Escrow Agent under this Agreement in strict accordance with its terms.

FIDELITY NATIONAL TITLE INSURANCE COMPANY

By: /s/ Suzanne A. Rippel_____

Name: Suzanne A. Rippel_____

Its: AVP_____

Schedule 1-1

Sellers

FEE OWNERS:

1. Watermark Albemarle Owner, LLC, a Delaware limited liability company
2. Watermark Boca Ciega Bay Owner, LLC, a Delaware limited liability company
3. Watermark Crystal Lake Owner, LLC, a Delaware limited liability company
4. Watermark Greenbriar Owner, LLC, a Delaware limited liability company
5. Watermark La Cholla Owner, LLC, a Delaware limited liability company
6. Watermark Millbrook Owner, LLC, a Delaware limited liability company
7. Watermark RiverVue Owner, LLC, a Delaware limited liability company
8. Watermark Washington House Owner, LLC, a Delaware limited liability company
9. Watermark Bellevue AP, LLC, a Delaware limited liability company
10. Watermark Crystal Lake AP, LLC, a Delaware limited liability company
11. Watermark Millbrook AP, LLC, a Delaware limited liability company
12. Watermark Bronson Place AP, LLC, a Delaware limited liability company
13. Fountains Bellevue Owner NT-HCI, LLC, a Delaware limited liability company
14. Fountains Bronson Place Owner NT-HCI, LLC, a Delaware limited liability company
15. Fountains Canterbury Owner NT-HCI, LLC, a Delaware limited liability company
16. Fountains Carlotta Owner NT-HCI, LLC, a Delaware limited liability company,
17. Fountains Lake Pointe Woods Owner NT-HCI, LLC, a Delaware limited liability company
18. Fountains Sea Bluffs Owner NT-HCI, LLC, a Delaware limited liability company

OPERATING TENANTS:

1. Watermark Albemarle, LLC, a Delaware limited liability company
2. Watermark Boca Ciega Bay, LLC, a Delaware limited liability company
3. Watermark Crystal Lake, LLC, a Delaware limited liability company
4. Watermark Greenbriar, LLC, a Delaware limited liability company
5. Watermark La Cholla, LLC, a Delaware limited liability company
6. Watermark Washington House, LLC, a Delaware limited liability company

NY SUBLESSORS:

1. Watermark Millbrook, LLC, a Delaware limited liability company
2. Watermark RiverVue, LLC, a Delaware limited liability company

Schedule 4(a)

Allocated Purchase Price

All figures below are presented in thousands.

TAX ALLOCATIONS No.	Community	RE Allocated Value	Personal Property	Intangibles	Excess Land	TOTAL Purchase Price
	Rental					
1	Albemarle	8,549	542	3,974	-	13,065
2	Boca Ciega Bay	41,519	821	6,019	-	48,358
3	Crystal Lake	34,064	963	7,059	184	42,269
4	Greenbriar	24,421	377	2,764	-	27,562
5	La Cholla	66,695	2,668	19,564	-	88,927
6	Millbrook	20,107	600	4,402	-	25,109
7	RiverVue	28,660	1,346	9,873	-	39,879
8	Washington House	26,815	793	5,812	-	33,420
	Entrance Fee					
9	Pacific Regent Bellevue	24,726	737	0	25,990	51,453
10	Bronson Place	26,653	592	0	1,250	28,495
11	Canterbury	20,150	221	0	-	20,372
12	The Carlotta	50,493	1,484	0	-	51,977
13	Lake Pointe Woods	71,712	3,300	0	1,738	76,751
14	Sea Bluffs	30,283	2,081	0	-	32,364
	Total	**474,845**	**16,525**	**59,467**	**29,162**	**580,000**

Schedule 8(e)(ii)

Bridging Approvals

State	Applicable Government Authority	Applicable Bridging Arrangement	Related License Type
Oklahoma	Oklahoma State Department of Health	Bridging Arrangement at the Fountains at Washington House	Continuum of Care Facility
Michigan	Michigan Department of Licensing & Regulatory Affairs, Corporations, Securities and Commercial Licensing Bureau	Bridging Arrangement at the Fountains at Bronson Place	Continuing Care Community
North Carolina	North Carolina Division of Health Service Regulation, Healthcare Planning and Certificate of Need Section	Bridging Arrangement at The Fountains at the Albemarle	Nursing Facility
Virginia	Virginia State Corporation Commission - Bureau of Insurance	Bridging Arrangement at The Fountains at Washington House	Continuing Care Retirement Community