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, 2022

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.)

16 East 34th Street, 18th Floor, New York, NY 10016
(Address of Principal Executive Offices, Including Zip Code)

(929) 777-3125
(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. ☐

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the 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, 195,421,665 shares outstanding as of March 27, 2023.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the definitive proxy statement related to the registrant’s 2023 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 ability to retain our senior executives and other sufficient personnel to manage our business; our ability to realize substantial efficiencies as well as anticipated strategic and financial benefits of the internalization of our management function as operating costs and business disruption may be greater than expected; 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 continuing effects of the COVID-19 pandemic may have a material adverse effect on our business, results of operations, cash flows and financial condition.
- There is a high degree of uncertainty regarding oversight of funds provided through the CARES Act and other statutory relief efforts related to the COVID-19 pandemic.
- Macroeconomic trends, including rising labor costs and historically low unemployment, increases in inflation and rising interest rates may adversely affect our business and financial results.
- We are directly exposed to operational risks at substantially all of our owned properties and are dependent on the operators or managers of these properties to manage these risks.
- Our Winterfell, Rochester and Arbors portfolios do not currently generate sufficient cash flow from operations to satisfy all debt service obligations and capital expenditure needs.
- 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.
- Increased competition could adversely affect future occupancy rates, operating margins and profitability at our properties.
- 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.
- We depend on two operators/managers, Watermark Retirement Communities, or Watermark, and Solstice Senior Living, or 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.
- 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.
- Our strategy depends upon identifying and executing on disposition opportunities that achieve a desired return.
- Our joint venture partners could take actions that decrease the value of an investment to us and lower our overall return.
- We may have limited rights to information or ability to influence material decisions for our unconsolidated investments.
- Our unconsolidated investments involve different asset classes, structures and jurisdictions, which may expose us to different risks.

Risks Related to Our Capital Structure

- Market conditions and the actual and perceived state of the capital markets generally could negatively impact our business, financial condition and results of operations.
- We may be forced to dispose of assets at suboptimal times due to debt maturities.
- 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.
- Our distribution policy is subject to change. We may not be able to make distributions in the future.
- 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.

- Our board of directors determined an estimated value per share of $2.93 for our common stock as of June 30, 2022, which may not reflect the current value of shares of our common stock.
- 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.
- If we do not successfully implement a liquidity transaction, stockholders may have to hold their investments for an indefinite period.

Risks Related to Our Company and Corporate Structure

- As a result of the Internalization, we are newly self-managed.
- We may not realize some or all of the targeted benefits of the Internalization.
- We are reliant on certain transition services provided by our Former Advisor under the TSA, and may not find a suitable provider for these transition services if our Former Advisor no longer provides the transition services to which we are entitled under the TSA.
- Our ability to operate our business successfully would be harmed if key personnel terminate their employment with us.
- 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.

PART I

Item 1. Business

References to "we," "us" or "our" refer to NorthStar Healthcare Income, Inc. and its subsidiaries, unless context specifically requires otherwise.

Overview

We own a diversified portfolio of seniors housing properties, including independent living facilities, or ILFs, assisted living facilities, or ALFs, and memory care facilities, or MCFs, located throughout the United States. In addition, we have made investments through non-controlling interests in joint ventures in a broader spectrum of healthcare real estate, including seniors housing properties, as well as continuing care retirement communities, or CCRCs, skilled nursing facilities, or SNFs, medical office buildings, or MOBs, specialty hospitals and ancillary services businesses, across the United States and United Kingdom.

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.

From inception through December 31, 2022, 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.

The Internalization

From inception through October 21, 2022, we were externally managed by CNI NSHC Advisors, LLC or its predecessor, or the Former Advisor, an affiliate of NRF Holdco, LLC, or the Former Sponsor. The Former Advisor was responsible for managing our operations, subject to the supervision of our board of directors, pursuant to an advisory agreement. On October 21, 2022, we completed the internalization of our management function, or the Internalization. In connection with the Internalization, we agreed with the Former Advisor to terminate the advisory agreement and arranged for the Former Advisor to continue to provide certain services for a transition period. Going forward, we will be self-managed under the leadership of Kendall Young, who was appointed by the board of directors as Chief Executive Officer and President concurrent with the Internalization.

Our Strategy

Our primary objective is to maximize value and generate liquidity for shareholders. 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 that address factors impacting the industry, including inflation and other economic conditions, to enhance the performance of our existing investment portfolio.

- *Deploy Strategic Capital Expenditures.* We will continue to invest capital into our investments in order to maintain market position, functional and operating standards, and improve occupancy and resident rates, in an effort to enhance the overall value of our assets.

- *Pursue Dispositions and Opportunities for Asset Repositioning 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 of assets, joint ventures, operators and markets to position our portfolio for optimal performance.

Our Investments

Our investments are categorized as follows:

- Direct Investments - Operating - Properties operated pursuant to management agreements with managers, in which we own a controlling interest.

- Direct Investments - Net Lease - Properties operated under net leases with an operator, in which we own a controlling interest.

- Unconsolidated Investments - Joint ventures, which include properties operated under net leases with an operator or pursuant to management agreements with managers, in which we own a minority, non-controlling interest.

Our direct investments are in seniors housing facilities, which includes ILFs, ALFs, and MCFs, 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 Medicaid.

- *Independent living facilities.* ILFs are 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.

- *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 may be bundled within one monthly fee or based on the care needs of the resident and 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. ALFs typically are comprised of studios, one and two bedroom suites equipped with private bathrooms and efficiency kitchens.

- *Memory care facilities.* MCFs offer specialized options for seniors with Alzheimer's disease and other forms of dementia. These facilities offer dedicated care and specialized programming for various conditions relating to memory loss in a secured environment. 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.

Through our unconsolidated investments, we have additional investments in seniors housing facilities, as well as in additional types of healthcare real estate, including the following:

- *Continuing care retirement communities.* CCRCs provide, as a continuum of care, the services described for ILFs, ALFs and SNFs in an integrated campus.

- *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.

- *Care Homes.* Care homes are daily rate or rental properties in the United Kingdom that may provide residential, nursing and/or dementia care. Revenues generated from care homes typically come from private pay sources, as well as government reimbursement.

- *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.

- *Specialty 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 long-term acute care, specialty and rehabilitation hospitals and generally are leased to operators under triple-net lease structures.

For financial information regarding our reportable segments, refer to Note 11, "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, 2022 (dollars in thousands):

		Properties[1]						
Investment Type / Portfolio	**Amount[2]**	**Seniors Housing**	**MOB**	**SNF**	**Hospitals**	**Total**	**Primary Locations**	**Ownership Interest**
Direct Investments - Operating								
Winterfell	$ 711,505	32	—	—	—	32	12 U.S. States	100.0%
Rochester	186,277	10	—	—	—	10	New York	97.0%
Avamere	93,474	5	—	—	—	5	Washington/Oregon	100.0%
Aqua	82,769	4	—	—	—	4	Texas/Ohio	97.0%
Oak Cottage	18,613	1	—	—	—	1	California	100.0%
Subtotal	$ 1,092,638	52	—	—	—	52		
Direct Investments - Net Lease								
Arbors	$ 103,915	4	—	—	—	4	New York	100.0%
Total Direct Investments	$ 1,196,553	56	—	—	—	56		
Unconsolidated Investments								
Trilogy[3]	$ 128,884	23	—	75	—	98	4 U.S. States	23.2%
Diversified US/UK[4]	28,442	95	106	39	9	249	17 U.S. States & U.K.	14.3%
Eclipse	834	35	—	9	—	44	10 U.S. States	5.6%
Espresso	18,019	1	—	32	—	33	Ohio/Michigan	36.7%
Subtotal	$ 176,179	154	106	155	9	424		
Solstice[5]	323	—	—	—	—	—		20.0%
Total Unconsolidated Investments	$ 176,502	154	106	155	9	424		
Total Investments	$ 1,373,055	210	106	155	9	480		

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

(2) For direct investments, amount represents operating real estate, before accumulated depreciation as presented in our consolidated financial statements as of December 31, 2022. For unconsolidated investments, amount represents the carrying value of our investments in unconsolidated ventures as presented in our consolidated financial statements as of December 31, 2022. For additional information, refer to "Note 3, Operating Real Estate" and "Note 4, Investments in Unconsolidated Ventures" of Part II, Item 8. "Financial Statements and Supplementary Data."

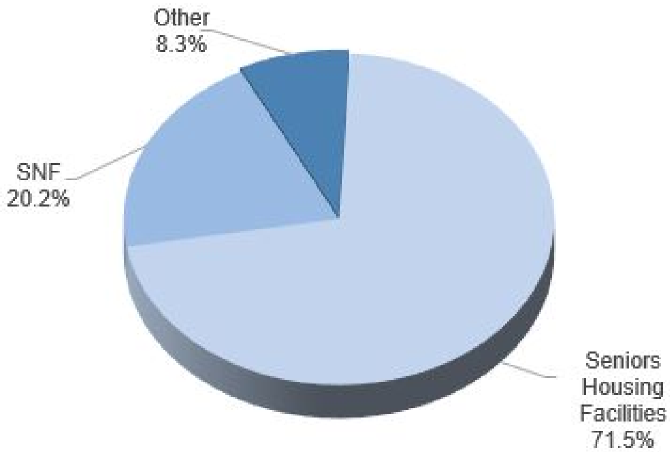
(3) Includes institutional pharmacy, therapy businesses and lease purchase buy-out options, which are not subject to property count.

(4) Refer to "—Business Update" for additional information on recent transactions.

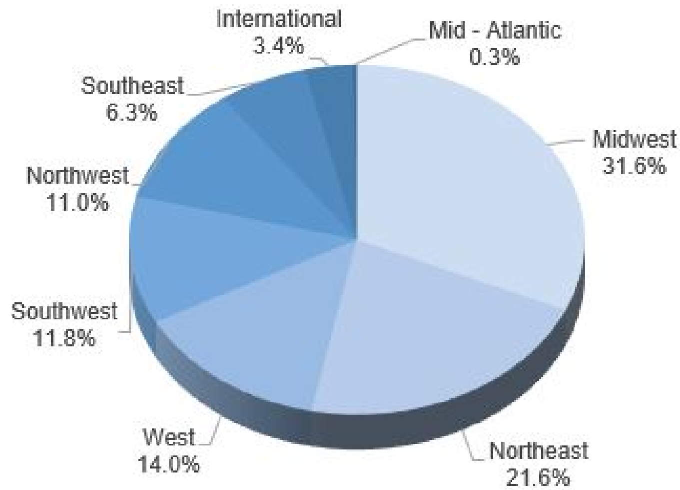
(5) Represents our investment in Solstice Senior Living, LLC, or Solstice, the manager of the Winterfell portfolio. Solstice is a joint venture between affiliates of Integral Senior Living, LLC, or ISL, a management company of ILF, ALF and MCF founded in 2000, which owns 80.0%, and us, who owns 20.0%.

The following presents the properties of our direct and unconsolidated investments by property type and geographic location based on our proportionate share of cost as of December 31, 2022:

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.

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

	As of December 31, 2022		Year Ended December 31, 2022	
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	3,993	$ 112,553	60.8 %
Watermark Retirement Communities	14	1,782	45,276	24.3 %
Avamere Health Services	5	453	19,778	10.7 %
Integral Senior Living	1	40	4,913	2.7 %
Arcadia Management[4]	4	572	1,597	0.9 %
Other[5]	—	—	1,019	0.6 %
Total	56	6,840	$ 185,136	100.0 %

(1) Represents rooms for ALFs, ILFs and MCFs, 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 and MCFs, 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, 2022, we recorded rental income to the extent rental payments were received.
(5) Consists primarily of interest income earned on corporate-level cash accounts.

Direct Investments - Operating

We generate revenues from resident fees and rental income through our operating properties. Resident fee income is recorded by our ALFs and MCFs when services are rendered and includes resident room and care charges and other resident charges and rental income is generated from our ILFs.

Our operating properties allow us to participate in the risks and rewards of the operations of the facilities, as compared to receiving only contractual rent under a net lease. We engage independent managers to operate these facilities pursuant to management agreements, including procuring supplies, hiring and training all employees, entering into all third-party contracts for the benefit of the property, including resident/patient agreements, complying with laws and regulations, including but not limited to healthcare laws, and providing resident care and services, in exchange for a management fee. As a result, we must rely on our managers' personnel, expertise, technical resources and information systems, risk management processes, proprietary information, good faith and judgment to manage our operating properties efficiently and effectively. We also rely on our managers to set appropriate resident fees, to provide accurate property-level financial results in a timely manner and otherwise operate our seniors housing facilities in compliance with the terms of our management agreements and all applicable laws and regulations.

Our management agreements generally provide for monthly management fees which are calculated based on various performance measures, including revenue, net operating income and other objective financial metrics. We are also required to reimburse our managers for expenses incurred in the operation of the properties, as well as to indemnify our managers in connection with potential claims and liabilities arising out of the operation of the properties. Our management agreements are terminable after a stated term with certain renewal rights, though we have the ability to terminate earlier upon certain events with or without the payment of a fee.

Watermark Retirement Communities and Solstice, together with their affiliates, manage substantially all of our operating properties. As of December 31, 2022, 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, 2022, properties managed by Watermark and Solstice represented 24.6% and 61.1% of our total property and other revenues, respectively, and 22.4% and 59.5% of our operating real estate, respectively. Through our 20.0% ownership of Solstice, we are entitled to certain rights and minority protections. The following table presents a summary of the terms of the Watermark and Solstice management agreements:

Manager	Portfolio	Properties	Expiration Date	Management Fees
Solstice Senior Living	Winterfell	32	October 2025	• 5% of monthly gross revenues, subject to certain exclusions • 7% of actual costs of certain capital projects • Additional fees if net operating income exceeds annual target • Additional fees if net operating income long-term growth is achieved
Watermark Retirement Communities[(1)]	Aqua	2	December 2023	• 5% of monthly gross revenues, subject to certain exclusions • Eligible for promote in connection with disposition
	Aqua	2	February 2024	
	Rochester	10	August 2023	

(1) Affiliates of Watermark also own a 3% non-controlling interest in the Rochester and Aqua portfolios, which may impact various rights and economics under the management agreements.

Direct Investments - Net Lease

We generate revenues from rental income from net leases to operators through our net lease properties. A net lease will typically 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.

As of December 31, 2022, we had four ALF properties operated by Arcadia Management under net leases. These leases obligate Arcadia to pay a fixed rental amount and pay all property-level expenses, with a lease term that expires in August 2029. However, Arcadia has been unable to satisfy its obligations under its leases since February 2021, and instead remits rent and pays property-level expenses based on its available cash. We are in discussions with Arcadia regarding the rent shortfalls and resulting defaults under the leases. However, we expect the rent shortfalls to continue in the near-term, in varying amounts based on the property's performance, and may also directly incur operating expenses to the extent Arcadia is unable to generate sufficient cash flow.

Unconsolidated Investments

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

Portfolio	Partner	Acquisition Date	Ownership	Amount[1]	Properties as of December 31, 2022 Seniors Housing Facilities	MOB	SNF	Hospitals	Total
Trilogy	American Healthcare REIT / Management Team of Trilogy Investors, LLC	Dec-2015	23.2 %	$ 128,884	23	—	75	—	98
Diversified US/UK [2]	NRF and Partner	Dec-2014	14.3 %	28,442	95	106	39	9	249
Eclipse	NRF and Partner/ Formation Capital, LLC	May-2014	5.6 %	834	35	—	9	—	44
Espresso	Formation Capital, LLC/ Safanad Management Limited	Jul-2015	36.7 %	18,019	1	—	32	—	33
Subtotal				$ 176,179	154	106	155	9	424
Solstice		Jul-2017	20.0 %	323	—	—	—	—	—
Total				$ 176,502	154	106	155	9	424

(1) Represents the carrying value of our investments in unconsolidated ventures as presented in our consolidated financial statements as of December 31, 2022. For additional information, refer to "Note 4, Investments in Unconsolidated Ventures" of Part II, Item 8. "Financial Statements and Supplementary Data."
(2) Refer to "—Business Update" for additional information on recent transactions.

We report our proportionate interest of revenues and expenses from unconsolidated joint ventures through equity in earnings (losses) of unconsolidated ventures on our consolidated statements of operations. Our unconsolidated investment portfolios are as follows:

- *Diversified US/UK.* Consists of three sub-portfolios: a portfolio of 15 MOBs, or the MOB Sub-Portfolio, a diversified portfolio of 91 MOBs, 47 seniors housing facilities, including ALFs, MCFs and CCRCs, 39 SNFs and nine specialty hospitals, or the Mixed U.S. Sub-Portfolio, and 48 care homes located in the United Kingdom operated under a net lease, or the U.K. Sub-Portfolio. The Former Sponsor and other minority partners own the remaining 85.7% of this portfolio.

- *Trilogy*. Portfolio of predominantly SNFs, as well as ALFs, ILFs, MCFs, and CCRCs located in the Midwest and operated pursuant to management agreements with Trilogy Health Services. The portfolio includes 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.

- *Eclipse.* Portfolio of SNFs, ALFs, MCFs, and ILFs located in 10 U.S. States, and leased to, or managed by, five different operators/managers. The Former Sponsor and other minority partners and Formation Capital, LLC, or Formation, own 86.4% and 8.0% of this portfolio, respectively.

- *Espresso.* The joint venture is actively conducting the sales process for its remaining net lease portfolio of 32 SNFs and one ALF located in Ohio and Michigan. 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.

- *Solstice.* Operator platform joint venture established to manage the operations of the Winterfell portfolio. An affiliate of ISL owns the remaining 80.0%.

Human Capital

On October 21, 2022, as a result of completing the Internalization, we became a self-managed REIT. Prior to the Internalization, we had no employees and were externally managed by the Former Advisor or its affiliates, who provided management, acquisition, advisory, marketing, investor relations and certain administrative services for us. As of December 31, 2022, we had eight full-time employees.

The decision to internalize, and to be able to employ directly the personnel that advance the Company's strategic objectives, was a turning point for the Company. We believe our employees are critical to our success. All of our employees are provided with a comprehensive benefits and wellness package, which may include medical, dental and vision insurance, life insurance, 401(k) matching, long-term incentive plans, among other things. In connection with the Internalization, we worked with a compensation consultant to evaluate and benchmark the competitiveness of our compensation programs focused on pay practices that reward performance and support the needs of the Company. Our executive management team oversees our human capital resources and employment practices to ensure that an asset as important as our employees is strategically integrated with our goals and business plan as a healthcare REIT.

We are also committed to providing a safe and healthy workplace. We continuously strive to meet or exceed compliance with all laws, regulations and accepted practices pertaining to workplace safety.

We utilize a professional employer organization, or PEO, who is the employer of record of our employees and administers our benefits, payroll, and other human resource management services.

Portfolio Management

The portfolio management process for our investments includes oversight by our executive and asset management teams, regular management meetings and an operating results review process. These processes are designed to evaluate and proactively identify asset-specific issues and trends on a portfolio-wide, sub-portfolio or asset type basis. The teams work in conjunction with our managers and operators to create tailored action plans to address issues identified.

Our executive and asset management teams are experienced and use many methods to actively manage our investments to enhance or preserve our income, value and capital and mitigate risk. Our teams seek to identify opportunities for our investments that may involve replacing or renovating facilities in our portfolio which, in turn, would allow us to improve occupancy and resident rates and enhance the overall value of our assets. To manage risk, our teams engage in frequent review and dialogue with operators/managers/third party advisors and periodic inspections of our owned properties. In addition, our teams consider the impact of regulatory changes on the performance of our portfolio.

Our teams 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 our expectations.

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 and may fluctuate based on seasonal trends. It is difficult to predict the magnitude of 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 our operating income.

Competition

Our 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 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 and cost inflation may therefore 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.

U.S. Healthcare Regulation

Overview

ALFs, ILFs, MCFs, hospitals, SNFs and other healthcare providers that operate properties in our portfolio are subject to extensive and complex federal, state and local laws, regulations and industry standards governing their operations. 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. Changes in laws, regulations, reimbursement and enforcement activity can all have a significant effect on our operations and financial condition, 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, including 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 laws. 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.

Reimbursements

Sources of revenues for our seniors housing properties are primarily private payors, including private insurers and self-pay patients, and payments from state Medicaid programs. By contrast, the skilled nursing facilities and hospitals within our unconsolidated investments receive the majority of their revenues from the Medicare and Medicaid programs, with the balance representing payments from private payors. Medicare is a federal health insurance program for persons aged 65 and over, some disabled persons and persons with end-stage renal disease. Medicaid is a medical assistance program for eligible needy persons that is funded jointly by federal and state governments and administered by the states. Medicaid eligibility requirements and benefits vary by state. The Medicare and Medicaid programs are highly regulated and subject to frequent and substantial changes resulting from legislation, regulations and administrative and judicial interpretations of existing law.

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. With significant budgetary pressures, federal and state governments continue to seek ways to reduce Medicare and Medicaid spending through reductions in reimbursement rates and increased enrollment in managed care programs, among other things. Private payors, such as insurance companies, are also continuously seeking opportunities to control healthcare costs. Legislation introduced in the U.S. Congress and certain state legislatures include changes that directly or indirectly affect reimbursement and promote shifts from traditional fee-for-service reimbursement models to alternative payment models that tie reimbursement to quality and cost of care, such as accountable care organizations and bundled payments. It is difficult to predict the nature and success of future financial or delivery system reforms, but changes to reimbursement rates and related policies could adversely impact our and our unconsolidated investments' results of operations.

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.

Enrollment

The federal government has taken steps to require nursing facilities to disclose detailed information regarding owners, operators, and managers of nursing homes, including both direct and indirect owning or managing entities, with a particular focus on ownership by private equity companies or REITs. Disclosure would also extend to individuals or entities that lease or sublease real property to the facilities or that own in the value of such real property. The government intends that such disclosed data would also be made publicly available. We do not know how this increased transparency will impact government scrutiny into the operations and standard of care provided at our facilities.

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.

CARES ACT and Similar Governmental Funding Programs

A variety of federal, state and local government efforts were initiated in response to the COVID-19 pandemic. At the federal level, Congress enacted a series of emergency stimulus packages, including the Coronavirus Aid, Relief and Economic Security Act, or the CARES Act, the Paycheck Protection Program and Health Care Enhancement Act, or the PPPHCE Act, and the Consolidated Appropriations Act, 2021, or CAA, to provide economic stimulus to individuals and businesses impacted by the

COVID-19 pandemic. The CARES Act includes provisions reimbursing eligible health care providers 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 has significant anti-fraud monitoring of the funds distributed and made available a public list of providers and their payments.

We applied for and received grants from the Provider Relief Fund for our seniors housing properties. Many of our operators, including within our unconsolidated investments, also received grants from the Provider Relief Fund. As a recipient of funds from the Provider Relief Fund, we are required to comply with detailed reporting requirements specified by HHS, including in some instances by providing a third-party audit of the use of the funds received. In addition, the HHS Office of Inspector General and the Pandemic Response Accountability Committee each have the right to conduct their own audits of our use of funds from the Provider Relief Fund and HHS has the right to recoup some or all of the payments if it determines those payments were not made or the funds were not used in compliance with its rules, regulations and interpretive guidance.

The CARES Act and other relief legislation also made other forms of financial assistance available to healthcare providers in response to the COVID-19 pandemic, which benefited our seniors housing properties and our unconsolidated investments to varying degrees. This assistance included Medicare and Medicaid payment adjustments and an expansion of the Medicare Accelerated and Advance Payment Program, which made accelerated payments of Medicare funds available in 2020 in order to increase cash flow to providers. These accelerated payments are repaid by recoupment from future Medicare payments owed to providers beginning one year from the date the payment was issued. The CARES Act and related legislation also temporarily suspended Medicare sequestration payment adjustments, expanded coverage of COVID-19 testing and preventive services, addressed healthcare workforce needs and eased other legal and regulatory burdens on healthcare providers.

Federal law enforcement authorities are expected to scrutinize COVID-19 pandemic-related payments to providers as well as compliance with various reporting and transparency disclosures arising under the CARES Act, the PPPHCE Act and the CAA. Similarly, Congress is conducting its own oversight to ensure that federal dollars were properly allocated. We and our operators could become subject to this type of scrutiny, which could result in requests to repay funds, negative publicity and other adverse consequences.

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 and conflicts of interest 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 and compensation committee of our board of directors are 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, our audit committee charter and our compensation 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 and Strategy

The continuing effects of the 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 may continue to, materially and adversely impact our business. Our financial results have been adversely impacted as result of the pandemic and its continuing effects, including increased operating costs at our seniors housing communities as a result of labor pressures, public health measures and other operational and regulatory dynamics attributable or related to the pandemic, rising interest rates and decreased revenues.

Our industry has in particular 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 seniors 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.

At the same time, 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 as the pandemic continues to subside.

The extent of the continuing effect of the pandemic, policy and other actions taken in response to the pandemic and their respective consequences on our operational and financial performance will depend on a variety of factors, including the rise of new variants of the COVID-19 virus and the effectiveness of available vaccines and therapeutics against those variants; the availability and accuracy of testing; the rate of acceptance of available vaccines, vaccine boosters and therapeutics; the speed at which available vaccines, including boosters and updated versions of vaccines, and therapeutics can be successfully deployed; the rise and spread of other health conditions, such as flu and respiratory syncytial virus (RSV); ongoing clinical experience, which may differ considerably across regions and fluctuate over time; the ongoing impact on the macroeconomic environment and global financial markets, including on inflation, interest rates and the labor market; and on other future developments, including the ultimate duration, spread and intensity of new outbreaks of COVID-19 and other conditions, such as flu and RSV, the extent to which governments impose, rollback or re-impose preventative restrictions, the availability of ongoing government financial support to our business and whether any regulatory waivers or other flexibilities continue to be extended by HHS and state governments to ease providers out of the pandemic.

There is a high degree of uncertainty regarding oversight of funds provided through the CARES Act and other statutory relief efforts related to the COVID-19 pandemic.

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 funds to be distributed to healthcare providers through the Provider Relief Fund, which is administered by HHS. Congress intended these grants to reimburse eligible providers for healthcare-related expenses or lost revenues incurred to prevent, prepare for, and respond 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 using grants received from the Provider Relief Fund to reimburse expenses or losses that other sources are obligated to reimburse. Federal, state and local governments and agencies implemented or announced other programs to provide financial and other support to businesses affected by the COVID-19 pandemic, some of which benefited us or our operators, but that impose significant regulatory and compliance obligations.

We and our operators applied for and received grants under the Provider Relief Fund. As a recipient of these funds, we are required to comply with detailed reporting requirements specified by HHS, including in some instances by providing a third-party audit of the use of the funds. In addition, the HHS Office of Inspector General and the Pandemic Response Accountability Committee each have the right to conduct their own audits of our use of funds from the Provider Relief Fund and HHS has the right to recoup some or all of the payments if it determines those payments were not made or the funds not used in compliance with its rules, regulations and interpretive guidance.

There remains a high degree of uncertainty surrounding the implementation, interpretation and application of the CARES Act and other federal, state and local government pandemic relief programs, and the rules, regulations and guidance thereunder. There can be no assurance that we or our operators are or will remain in compliance with all requirements related to the payments received under the Provider Relief Fund or other government relief programs, that the terms and conditions of the Provider Relief Fund grants or other government relief programs will not change or be interpreted in ways that affect our ability or the ability of our operators to comply with such terms and conditions (which could affect the ability to retain any grants or other funds), the amount of total financial grants or other funds that we or our operators may ultimately receive or our or their 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.

Macroeconomic trends, including rising labor costs and historically low unemployment, increases in inflation and rising interest rates may adversely affect our business and financial results.

Macroeconomic trends, including rising labor costs and historically low unemployment, increases in inflation and rising interest rates, may adversely impact our business, financial condition and results of operations. Increased labor costs and a shortage of available skilled and unskilled workers has and may continue to increase the cost of staffing at our seniors housing communities. To the extent our managers cannot hire sufficient workers, they may be required to enhance pay and benefits packages to compete effectively for such personnel or use more costly contract or overtime labor. We may not be able to offset this increased labor cost by increasing the rates charged to residents, which will result in a decrease in our net operating income.

The COVID-19 pandemic, policy and other actions taken in response to the pandemic and other recent events, such the conflict between Russia and Ukraine and supply chain disruptions, have exacerbated, and may continue to exacerbate, increases in the consumer price index. Many of our costs, including operating and administrative expenses, interest expense and capital project costs, are subject to inflation. These include expenses for property-related contracted services, utilities, repairs and maintenance and insurance and general and administrative costs. If there is an increase in these costs, our business, cash flows and operating results could be adversely affected.

Additionally, U.S. government policies implemented to address inflation, including actions by the Board of Governors of the Federal Reserve System, or the U.S. Federal Reserve, to increase interest rates could negatively impact consumer spending and future demand for our properties. In particular, primarily in response to concerns about inflation, the U.S. Federal Reserve significantly raised its benchmark federal funds rate, which has led to increases in interest rates in the credit markets and other impacts on the macroeconomic environment. The U.S. Federal Reserve may continue to raise the federal funds rate, which will likely lead to higher interest rates in the credit markets and the possibility of lower asset values, slowing economic growth and a recession.

We are directly exposed to operational risks at substantially all of our owned properties and are dependent on the operators or managers of these properties to manage these risks.

Substantially all of our owned properties, excluding unconsolidated joint ventures, are operated pursuant to management agreements, where we are directly exposed to various operational risks. These risks include: (i) fluctuations in occupancy; (ii) fluctuations in private pay rates and, to a lesser extent, government reimbursement; (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.

The pandemic resulted in significant declines in revenue at the same time that operating costs increased. Even as the pandemic has subsided, significant uncertainty continues to exist regarding the continued impact of the pandemic and macroeconomic trends on revenue and expenses at our properties, including with respect to labor and employment, inflation, rising interest rates and potential changes or disruptions in government reimbursement. For substantially all of our directly owned properties, we are responsible for operating shortfalls if the properties do not generate sufficient revenues to cover expenses. For the year ended December 31, 2022, four of our direct operating investment properties generated operating losses.

Although 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. While we have various rights as the property owner under our management agreements, we may have limited recourse under our management agreements if we believe that the managers are not performing adequately. The failure by our managers to effectively manage these properties could have a material adverse effect on our business, results of operations and financial condition.

Our Winterfell, Rochester and Arbors portfolios do not currently generate sufficient cash flow from operations to satisfy all debt service obligations and capital expenditure needs.

As of December 31, 2022, our Winterfell, Rochester and Arbors portfolios, which represent 59.5%, 15.6% and 8.7% of our operating real estate, respectively, and 64.7%, 14.1% and 9.0% of our borrowings outstanding, respectively, do not currently generate sufficient cash flow from operations to satisfy all debt service obligations on the borrowings for these portfolios, as well as the capital expenditures we deem necessary in order to maintain the value of the portfolios. 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 these portfolios does not improve, it will have a material adverse impact on the overall value of our investments.

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 and managers 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, our occupancy rates and resident fee revenues could decline, which could, in turn, materially adversely affect our business, results of operations and financial condition.

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

The healthcare and seniors housing industries are 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 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.

We depend on two operators/managers, Watermark Retirement Communities, or Watermark, and Solstice Senior Living, or 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, 2022, 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, 2022, properties managed by Watermark and Solstice represented 24.6% and 61.1% of our total property and other revenues, respectively, and 22.4% and 59.5% of our operating real estate, respectively.

Watermark and Solstice, either directly or through affiliates, operate other 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.

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. Replacement of operators or managers may also be subject to regulatory approvals. 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.

Our strategy depends upon identifying and executing on disposition opportunities that achieve a desired return.

An important part of our business strategy is to identify and execute on disposition opportunities that achieve a desired return. Our ability to execute this strategy is affected by many factors outside of our control, including general economic conditions and disruptions in capital markets. If the performance of our properties does not improve, due to labor markets, inflation, concerns regarding pandemics or otherwise, or rising interest rates or disruptions in the capital markets result in lower asset values, we may be unable to achieve desired returns. In addition, a significant amount of our borrowings mature in 2025, which may force us to sell assets at a suboptimal time, further limiting our ability to achieve a desired return.

Because real estate investments are relatively illiquid, we may not be able to sell or exchange our properties 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 and seniors housing industries. In addition, transfers of healthcare and seniors housing properties may be subject to regulatory approvals that are not required for transfers of other types of commercial properties. We cannot assure you that we will recognize the full value of any property that we sell for liquidity or other reasons, and the inability to respond quickly to changes in the performance of our investments could adversely affect our business, results of operations and financial condition.

Our 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, both in circumstances where we have a controlling, majority interest, such as our joint ventures with Watermark for the Aqua and Rochester portfolios, and a minority, non-controlling interest, such as our unconsolidated investments in the Diversified US/UK, Eclipse, Espresso and Trilogy portfolios.

These investments generally involve risks not otherwise present with other methods of investment, including, for example, the following risks:

- 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 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;
- we may be forced to sell our interest or acquire our partner's interest at a time we otherwise would not have elected to do so as a result of a buy-sell or forced sale arrangement; 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.

We may have limited rights to information or ability to influence material decisions for our unconsolidated investments.

The risks associated with our joint venture investments described above are particularly acute for our minority, non-controlling interest in joint ventures, where we may have limited rights to information or ability to influence material decisions that affect the investment.

For instance, our Trilogy investment with AHR is 9.4% of our total investments, based on carrying value, as of December 31, 2022. AHR's corporate goals and objectives may differ from ours, which in turn may limit our ability to control the timing and manner of our exit from this investment. Although we have certain rights to sell our interest and trigger a sale of the joint venture, we may not be able to do so on favorable terms, or at all.

We also have two minority investments in the Diversified US/UK and Eclipse portfolios with our Former Sponsor, which account for 2.1% and 0.1% of our total investments, based on carrying value, as of December 31, 2022, respectively. Both of these investments are facing significant cash flow and liquidity issues, resulting in cash flow sweeps and defaults under debt secured by different sub-portfolios within these investments. We rely upon our Former Sponsor to manage these investments, and its ability to continue to do so may be affected by these issues. We also do not control the decisions made by our Former Sponsor with respect to how to navigate these challenges, including whether to fund new capital to resolve shortfalls or defaults, dispose of assets or engage in workouts with the lenders, and our interests may not be aligned. In particular, following the Internalization and termination of our advisory relationship with our Former Advisor, we may be exposed to new conflicts of interest and additional risks in relation to these investments.

Any of the above might materially impact the value of our investments, as well as subject us to liabilities and reputational harm. 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.

Our unconsolidated investments involve different asset classes, structures and jurisdictions, which may expose us to different risks.

While our direct investments are primarily in seniors housing operating properties, we have made investments in a variety of other asset classes within healthcare real estate through our minority interests in certain joint ventures, including skilled nursing facilities, medical office buildings, long-term acute care hospitals and other specialty hospitals and ancillary healthcare services businesses in the United States and care homes in the United Kingdom. Our unconsolidated investments also include a wider variety of ownership structures, including multi-tenant leases and single-tenant leases to hospital systems and medical practices, net leases to operators and management agreements to third-party fee-based managers. Each of these asset classes, structures and jurisdictions is subject to their own dynamics and their own specific operational, financial, compliance, regulatory and market risks.

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., Medicaid), where applicable, and are therefore directly subject to various regulatory obligations. Certain of these obligations may have been waived or relaxed during the public health emergency. However, with the impending end of the public health emergency declaration, these waivers and relaxations are likely to be removed and scrutiny from state and federal regulatory bodies is likely to be heightened. Our operators'/managers' failure to comply with any of these laws, regulations or standards could result in denial of reimbursement, imposition of fines, civil or criminal, penalties or damages, suspension 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 our unconsolidated investments and on us.

Certain operators or managers within our unconsolidated investments 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 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 operators, which could affect adversely their ability to comply with the terms of their leases and have a material adverse effect on our unconsolidated investments and us.

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 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 managers and operators 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 seniors 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 addition, certain types of claims, such as wage and hour employment actions, are not covered by insurance. As a result, insurance protection against such claims may not be sufficient to cover all claims against us or our managers or operators, 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 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;
- costs associated with compliance with the Americans with Disabilities Act of 1990, or the ADA, Fair Housing Act of 1968, or the Fair Housing Act, fire and safety regulations, rent control regulations, building codes and other land use regulations and licensing or certification requirements;
- adverse changes in state and local laws, including zoning laws;

- environmental compliance costs and liabilities; and
- other factors which are beyond our control.

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.

Some of our properties are in areas particularly susceptible to revenue loss, cost increase or damage caused by catastrophic or extreme weather and other natural events, including fires, snow, rain or ice storms, windstorms, tornadoes, hurricanes, earthquakes, flooding and other severe weather. These adverse weather and natural events could cause substantial damages or losses to our properties that could exceed our property insurance coverage. Any of these events could cause a major power outage, leading to a disruption of our systems and operations. If we incur a loss greater than insured limits, it could materially and adversely affect our business, financial condition and results of operations. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable.

Risks Related to Our Capital Structure

Market conditions and the actual and perceived state of the capital markets generally could negatively impact our business, financial condition and results of operations.

Any disruption to the capital markets or ability to access such markets could impair our ability to execute on our business strategy. Adverse developments affecting economies throughout the world, including rising inflation, a general tightening of availability of credit (including the price, terms and conditions under which it can be obtained), the state of the public and private capital markets, decreased liquidity in certain financial markets, increased interest rates, foreign exchange fluctuations, declining consumer confidence, the actual or perceived state of the real estate market, tightened labor markets or significant declines in stock markets, as well as concerns regarding pandemics, epidemics and the spread of contagious diseases, could impact our business, financial condition and results of operations. For example, unfavorable changes in general economic conditions, including recessions, economic slowdowns, high unemployment and rising prices or the perception by consumers of weak or weakening economic conditions may reduce disposable income and impact consumer spending in healthcare or seniors housing, which could adversely affect our financial results.

To the extent there is turmoil in the global financial markets, this turmoil has the potential to adversely affect the value of our properties, the availability or the terms of financing that we have or may be able to obtain and our ability to make principal and interest payments on, or refinance when due, any outstanding indebtedness.

We may be forced to dispose of assets at suboptimal times due to debt maturities.

We have $709.4 million of borrowings outstanding that mature through 2025. Our ability to dispose of or refinance these investments depends on a variety of factors that we do not control, including the continued effects of the pandemic, macroeconomic trends, market conditions and the state of the capital markets. We may be forced to dispose of these assets at a suboptimal time if we are not able to refinance these borrowings on favorable or terms, or at all, and may not be able to dispose of these assets for values in excess of outstanding borrowings at that time.

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. In connection with the termination of the advisory agreement, our sponsor line of credit, or Sponsor Line, was terminated on October 21, 2022 and we no longer have the ability to draw on the Sponsor Line. 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 and seniors housing industries, issues facing the industries, 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, 2022, we had $922.4 million of consolidated asset-level borrowings outstanding. We may also incur additional borrowings in the future to satisfy our capital and liquidity needs. 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 dispositions or exploit business opportunities;
- place us at a competitive disadvantage compared to our competitors that have fewer borrowings;
- 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, 2022, $83.4 million in aggregate principal amount of our non-recourse borrowings 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 may be unable to refinance borrowings when they become due on favorable terms, or at all, or dispose of assets prior to the stated maturity of our borrowings for values in excess of the outstanding borrowings, which could have a material adverse impact on our results of operations and the value of our investments.

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. 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 or sell assets, and our decision to hedge against interest rate risk might not be effective.

Interest rates are rising and are expected to continue to rise. Increases in interest rates may result in a decrease in the value of our real estate. In addition, certain of our borrowings are floating-rate obligations and the increase in interest rates will increase the costs of these borrowings, which may reduce our profitability and impair our ability to meet our debt obligations. 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 London Interbank Offered Rate, or 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. 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 or the Secured Overnight Financing Rate, or SOFR, 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 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 the past in excess of our cash flow from operations and may continue to do so in the future. 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. In April 2022, our board of directors declared a special distribution to stockholders, or the Special Distribution, of which $97.0 million was paid in cash in May 2022, using proceeds from asset sales and not cash flow provided by operations.

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 $2.93 for our common stock as of June 30, 2022, which may not reflect the current value of shares of our common stock.

On November 10, 2022, our board of directors approved and established an estimated value per share of $2.93 for our common stock as of June 30, 2022. 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, 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 other factors specified in 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. 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 Company and Corporate Structure

As a result of the Internalization, we are newly self-managed.

As a result of the Internalization, we are a self-managed REIT. We no longer bear the costs of the various fees and expense reimbursements previously paid to the Former Advisor and its affiliates; however, we are now directly responsible for our expenses, including the compensation and benefits of our officers, employees and consultants, overhead and other general and administrative expenses previously paid by the Former Advisor and its affiliates. We are also now subject to potential liabilities that are commonly faced by employers, such as workers' disability and compensation claims, potential labor disputes, and other employee-related liabilities and grievances, and we bear the cost of the establishment and maintenance of any employee compensation plans. We may encounter unforeseen costs, expenses, and difficulties managing these costs on a standalone basis. If we incur unexpected expenses as a result of our self-management, our results of operations could be lower than they otherwise would have been.

We may not realize some or all of the targeted benefits of the Internalization.

In connection with the Internalization, we, the Operating Partnership and the Former Advisor entered into a Transition Services Agreement, or the TSA, pursuant to which the Former Advisor agreed to provide certain services for a transition period. The failure to effectively complete the transition of these services to a fully internal basis, efficiently manage the transition with the Former Advisor or find adequate internal replacements for these services, could impede our ability to achieve the targeted cost savings of the Internalization and adversely affect our operations. In addition, we anticipate operating on a smaller scale going forward, with fewer resources than have historically been available to us through our Former Advisor's organization, which may adversely impact our ability to achieve our investment objectives. Complexities arising from the Internalization could also increase our overhead costs and detract from management's ability to focus on operating our business. There can be no assurance we will be able to realize the expected cost savings or strategic benefits of the Internalization.

We are reliant on certain transition services provided by the Former Advisor under the TSA and may not find a suitable provider for these transition services if the Former Advisor no longer provides the transition services to which we are entitled under the TSA.

We remain reliant on the Former Advisor during the period of the TSA, and the loss of these transition services could adversely affect our operations. We are subject to the risk that the Former Advisor will default on its obligation to provide the transition services to which we are entitled under the TSA, or that we or the Former Advisor will terminate the TSA pursuant to its termination provisions, and that we will not be able to find a suitable replacement for the transition services provided under the TSA in a timely manner, at a reasonable cost or at all. In addition, the Former Advisor's liability to us if it defaults on its obligation to provide transition services to us during the transition period is limited by the terms of the TSA, and we may not recover the full cost of any losses related to such a default.

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

Our success depends to a significant degree upon the contributions of key personnel and executive officers. We cannot assure stockholders that our key personnel will continue to be associated with us in the future. Any change in executive officers or other key personnel may have a material adverse effect on our performance, be disruptive to our business and hinder our ability to implement our business strategy.

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

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

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

We 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 Former 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.

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 real estate investment trust, or 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 2022, 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.

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 Tax Cuts and Jobs Act, or 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, net operating losses, or 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.

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 2022, 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. 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.

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. 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

Through our direct investments, we own a diversified portfolio of seniors housing properties as described under Item 1. "Business." The following table presents information with respect to the properties in our direct investments as of December 31, 2022 (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	4,093	8,351
Apple Valley, CA	116,365	130	100%	ILF	20,944	20,104
Auburn, CA	90,494	110	100%	ILF	21,819	22,712
Austin, TX	102,885	130	100%	ILF	26,238	25,008
Bakersfield, CA	106,640	126	100%	ILF	24,581	15,871
Bangor, ME	111,000	117	100%	ILF	27,411	20,240
Bellingham, WA	86,615	111	100%	ILF	23,070	22,474
Churchville, NY	78,110	79	97%	ILF	8,904	6,538
Clovis, CA	99,849	119	100%	ILF	24,901	17,687
Columbia, MO	105,948	120	100%	ILF	18,577	21,399
Corpus Christi, TX	118,671	132	100%	ILF	17,906	17,535
East Amherst, NY	100,997	116	100%	ILF	24,171	17,466
El Cajon, CA	77,930	105	100%	ILF	18,557	19,785
El Paso, TX	95,517	121	100%	ILF	17,447	11,510
Fairport, NY	126,927	120	100%	ILF	23,848	15,575
Fenton, MO	95,007	114	100%	ILF	25,961	23,145
Frisco, TX	228,471	202	97%	ILF	43,255	26,000
Frisco, TX	45,130	52	97%	ALF	13,778	—
Grand Junction, CO	124,174	144	100%	ILF	32,140	18,369
Grand Junction, CO	79,778	104	100%	ILF	14,883	9,412
Grapevine, TX	97,796	117	100%	ILF	11,824	21,054
Greece, NY	51,978	87	97%	ALF	7,629	—
Greece, NY	195,840	216	97%	ILF	35,367	26,681
Groton, CT	119,474	163	100%	ILF	19,504	16,588
Guilford, CT	142,136	131	100%	ILF	14,529	22,905
Henrietta, NY	158,959	137	97%	ILF	19,557	11,814
Joliet, IL	117,357	114	100%	ILF	18,943	14,057
Kennewick, WA	105,268	120	100%	ILF	21,880	7,236
Las Cruces, NM	113,874	131	100%	ILF	18,646	10,545
Lee's Summit, MO	122,917	126	100%	ILF	24,614	25,629
Lodi, CA	96,251	119	100%	ILF	26,274	18,958
Milford, OH	145,896	124	97%	ILF	19,389	18,336
Milford, OH	19,500	40	97%	MCF	6,347	—

Location	Square Feet	Units(1)	Ownership Interest	Type(2)	Gross Carrying Value(3)	Borrowings
Normandy Park, WA	98,206	109	100%	ILF	15,594	15,299
Palatine, IL	161,700	136	100%	ILF	17,242	18,957
Penfield, NY	108,533	210	97%	ALF	9,609	12,431
Penfield, NY	86,200	87	97%	ILF	11,369	10,856
Plano, TX	106,868	115	100%	ILF	12,182	15,168
Port Townsend, WA	106,585	120	100%	ALF	24,332	15,966
Renton, WA	88,162	112	100%	ILF	26,169	17,954
Rochester, NY	242,430	218	97%	ILF	37,952	18,206
Rochester, NY	89,843	103	97%	ALF	3,789	5,311
Roseburg, OR	44,750	63	100%	ALF	13,132	11,813
Sandy, OR	72,619	84	100%	ALF	19,348	13,474
Sandy, UT	103,449	114	100%	ILF	16,311	14,892
Santa Barbara, CA	27,217	40	100%	MCF	18,613	—
Santa Rosa, CA	120,553	115	100%	ILF	34,219	26,342
Sun City West, AZ	200,553	195	100%	ILF	27,136	24,204
Tacoma, WA	149,856	157	100%	ILF	43,984	28,328
Victor, NY	228,501	182	97%	ILF	36,839	27,020
Victor, NY	85,455	45	97%	ILF	14,184	11,336
Wenatchee, WA	128,905	136	100%	ALF	32,569	18,391
Undeveloped Land						
Penfield, NY	—	—	97%	NA	534	—
Rochester, NY	—	—	97%	NA	544	—
Direct Investments - Net Lease						
Bohemia, NY (5)	73,000	130	100%	ALF	28,124	22,198
Hauppauge, NY (5)	84,000	119	100%	ALF	20,432	13,468
Islandia, NY (5)	192,000	218	100%	ALF	33,397	33,094
Jericho, NY (5)	55,000	105	100%	ALF	21,962	14,663
Total	6,163,007	6,840			$ 1,196,553	$ 922,355

(1) Represents rooms for ALFs, ILFs and MCFs 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, 2022 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, 2022.

As of December 31, 2022, none of our properties had a carrying value equal to or greater than 10% of our total assets.

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

As of March 27, 2023, we had 195,421,665 shares of our common stock outstanding held by a total of 36,483 stockholders of record.

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, we 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.

The following table presents the estimated value per share of common stock:

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
November 2022	2.93	6/30/2022

On November 10, 2022, 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 $2.93 as of June 30, 2022, 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 (direct investments) properties was $1.00 billion, compared with an aggregate cost, including purchase price, deferred costs and other assets, of $1.45 billion, (ii) the estimated value of our healthcare real estate investments held through unconsolidated joint ventures (unconsolidated investments) was $355.4 million, compared with an aggregate equity contribution, net of distributions in connection with asset sales, of $434.1 million, and (iii) the estimated value of our healthcare real estate (direct investments) liabilities was $885.1 million, compared with an aggregate outstanding principal amount of $931.6 million.

For additional information on the methodology used in calculating our estimated value per share as of June 30, 2022, refer to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 filed with the SEC on November 10, 2022.

It is currently anticipated that our next estimated value per share will be based upon our assets and liabilities as of June 30, 2023 and such value will be included in a Quarterly Report on Form 10-Q or such other filing with the SEC. We intend to continue to publish an updated estimated value per share annually.

Distributions

During the year ended December 31, 2022, our board of directors declared and paid a special distribution, or the Special Distribution, to stockholders totaling approximately $97.1 million. We did not declare any distributions to stockholders during the years ended December 31, 2021 and 2020.

For federal income tax purposes, distributions paid to stockholders are characterized as ordinary income, capital gains or return of capital. For the year ended December 31, 2022, distributions paid to stockholders represent return of capital distributions. A return of capital is nontaxable, which reduces the tax basis of our stockholder's overall return.

Distribution Reinvestment Plan

We adopted our DRP through which common stockholders were able to 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. Since inception, we issued 25.7 million shares of common stock, generating gross offering proceeds of $232.6 million pursuant to our DRP. No selling commissions or dealer manager fees were paid on shares issued pursuant to our DRP. Our board of directors may amend, suspend 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. In April 2022, our board of directors elected to suspend our DRP, effective April 30, 2022. As a result, all future distributions, if any, will be paid in cash. For the year ended December 31, 2022, we did not issue shares of common stock 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.

For the year ended December 31, 2022, we did not repurchase any shares of our common stock.

Unregistered Sales of Equity Securities

On October 31, 2022 and November 30, 2022, we issued 208,635 shares of common stock at $3.91 per share and 134,482 shares of common stock at $2.93, respectively, to our Former Advisor as part of its asset management fee, pursuant to the 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 II, Item 8. “Financial Statements and Supplementary Data” and the risk factors in Part I, Item 1A. “Risk Factors.” References to “we,” “us,” “our,” or “NorthStar Healthcare” refer to NorthStar Healthcare Income, Inc. and its subsidiaries unless the context specifically requires otherwise.

Business Summary

Our investments are categorized as follows:

- Direct Investments - Operating - Properties operated pursuant to management agreements with managers, in which we own a controlling interest.
- Direct Investments - Net Lease - Properties operated under net leases with an operator, in which we own a controlling interest.
- Unconsolidated Investments - Joint ventures, which include properties operated under net leases with operators or pursuant to management agreements with managers, in which we own a minority, non-controlling interest.

Through our direct investments, we own a diversified portfolio of seniors housing properties, including independent living facilities, or ILFs, assisted living facilities, or ALFs, and memory care facilities, or MCFs, located throughout the United States. In addition, through our unconsolidated investments we have invested in a broader spectrum of healthcare real estate, including seniors housing properties, as well as continuing care retirement communities, or CCRCs, skilled nursing facilities, or SNFs, medical office buildings, or MOBs, specialty hospitals and ancillary services businesses, across the United States and United Kingdom. For information regarding our investments as of December 31, 2022, refer to “Our Investments” included in Part I, Item 1. “Business.”

Business Update

The following is a summary of business activities and events occurring during the year ended December 31, 2022:

Investments, Financings and Disposition Activities

- We invested capital totaling $29.3 million into our portfolio, including revenue enhancing building amenity refreshes and resident unit upgrades, in order to maintain market position, functional standards and improve operating income.
- The Espresso joint venture completed the sale of 74 properties, which generated our proportionate share of distributions totaling $49.7 million.
- In July, we exercised our option to extend the maturity date of a mortgage note payable collateralized by a property within the Rochester portfolio from August 2022 to August 2023, which required a $0.2 million principal repayment toward the outstanding principal balance.
- In June, we repaid the outstanding financing on the Oak Cottage portfolio at a discounted payoff of $3.7 million.

Special Distribution

- On April 20, 2022, our board of directors declared and paid a special distribution, or the Special Distribution, of $0.50 per share for each stockholder of record on May 2, 2022 totaling approximately $97.1 million.

Factors Impacting Our Operating Results

The seniors housing industry, including our business, continues to be adversely impacted by the effects of COVID-19 and broader macroeconomic trends. Our revenue depends on occupancy levels at our properties, which declined significantly as a result of COVID-19 and still have not returned to pre-pandemic levels. At the same time, our costs have increased as a result of macroeconomic trends, including increases in labor costs and historically low unemployment, inflation and rising interest rates, as well as increased health and safety measures, increased governmental regulation and compliance, vaccine mandates and other operational changes necessitated in response to the COVID-19 pandemic. Increased labor costs and a shortage of available skilled and unskilled workers has, and may continue to, increase the cost of staffing at our facilities. We have been required to enhance pay and benefits packages to compete effectively for personnel, pay additional overtime and use costly contract labor. Our operating and administrative costs, including repairs and maintenance, food costs, utilities, insurance and other operating costs, have been, and may continue to be adversely affected by inflation. We may be able to offset increased labor and other costs by increasing rates charged to residents, but we may not be able to do so in a timely manner and it may ultimately result in a decline in occupancy and revenues. Increases in interest rates may help ease inflation and our operating costs, but also increase our debt service obligations on our variable rate debt and create the possibility of slowing economic growth, which may affect the ability of seniors to pay resident fees at our properties, and lower asset values.

Operating Performance

The following is a summary of the performance of our investment segments for the year ended December 31, 2022 as compared to the year ended December 31, 2021. For additional information on financial results, refer to "—Results of Operations."

Direct Investments - Operating

The seniors housing industry average occupancy improved 2.8% from 2021 to 83.0% during the fourth quarter of 2022, as a result of increasing resident demand, improving consumer sentiment and easing restrictions on visitations and admissions, but was still 4.2% below its pre-pandemic level of 87.1% in the first quarter of 2020 (source: The National Investment Centers for Seniors Housing & Care).

Our direct operating investments experienced occupancy growth as resident move-ins increased by 4.0% and resident move-outs declined by 2.1% as compared to the prior year. A summary of average occupancy of our direct operating investments by property manager is as follows:

	Average Monthly Occupancy			Average Annual Occupancy		
Manager	**December 2022**	**December 2021**	**Variance**	**2022**	**2021**	**Variance**
Solstice Senior Living	85.9 %	77.2 %	8.7 %	82.2 %	73.9 %	8.3 %
Watermark Retirement Communities [1]	78.9 %	77.2 %	1.7 %	77.7 %	75.4 %	2.3 %
Avamere Health Services	90.5 %	85.0 %	5.5 %	88.5 %	81.9 %	6.6 %
Integral Senior Living [1]	97.5 %	97.5 %	— %	97.3 %	98.1 %	(0.8)%
Direct Investments - Operating	**84.3 %**	**77.9 %**	**6.4 %**	**81.5 %**	**75.1 %**	**6.4 %**

(1) Average monthly occupancy for December 2021 and annual occupancy for 2021 excludes properties sold.

The following table is a summary of the operating performance at our direct operating investments, excluding properties sold, for the years ended December 31, 2022 and 2021 (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2022	2021	Amount	%
Property revenues				
Resident fee income	$ 44,274	$ 40,668	$ 3,606	8.9 %
Rental income	138,245	122,614	15,631	12.7 %
Total property revenues	182,519	163,282	19,237	11.8 %
Property operating expenses				
Salaries and wages	62,113	55,603	6,510	11.7 %
Utilities	12,144	10,332	1,812	17.5 %
Food and beverage	10,427	8,990	1,437	16.0 %
Repairs and maintenance	13,835	12,276	1,559	12.7 %
Property taxes	11,603	12,192	(589)	(4.8)%
Property management fee	9,123	8,174	949	11.6 %
All other expenses	17,934	15,315	2,619	17.1 %
Total property operating expenses	137,179	122,882	14,297	11.6 %
Total property revenues, net of property operating expenses	$ 45,340	$ 40,400	$ 4,940	12.2 %

Overall, property revenues, net of property operating expenses, increased by $4.9 million for the year ended December 31, 2022 as compared to the prior year. The increase was primarily attributable to rental and resident fee income increasing by $19.2 million as a result of improved occupancy and rates at our ILFs, ALFs, and MCFs. The increase was partially offset by a $14.3 million increase in property operating expenses primarily a result of staffing challenges, which resulted in additional overtime hours and the use of agency and contract labor to fill open positions. Higher occupancy and inflationary pressures significantly impacted all variable operating costs, most notably utilities and food and beverage costs. Additionally, the resumption of normalized business operations has allowed our operators to complete deferred repairs and maintenance projects.

Direct Investments - Net Lease

Beginning in February 2021, the operator of the four net lease properties in our Arbors portfolio has been unable to satisfy its obligations under its leases and remits rent and pays property-level expenses based on its available cash. As a result, during the year ended December 31, 2022, we recorded rental income to the extent rental payments were received, which totaled $1.6 million for the year ended December 31, 2022, as compared to $3.4 million for the year ended December 31, 2021. The properties experienced similar operating cost pressures and staffing challenges as our direct operating investments, as well as sustaining suboptimal occupancy levels due to competitive pressures, which contributed to lower rent collected during the year ended December 31, 2022.

Unconsolidated Investments

We own minority, non-controlling interests in joint ventures, which own investments in real estate properties. The following table presents the distributions received from our unconsolidated investments (dollars in thousands):

	Cash Distributions for the Year Ended December 31,							
	2022			2021			Total Increase (Decrease)	
Portfolio	Sales	Operating	Total	Sales	Operating	Total	$	%
Eclipse	$ 846	$ —	$ 846	$ 2,898	$ —	$ 2,898	$ (2,052)	(70.8)%
Envoy[(1)]	66	—	66	817	—	817	(751)	(91.9)%
Diversified US/UK	—	2,433	2,433	—	4,257	4,257	(1,824)	(42.8)%
Espresso	49,704	4,950	54,654	1,173	4,327	5,500	49,154	893.7 %
Trilogy	—	9,134	9,134	—	4,638	4,638	4,496	96.9 %
Total	$ 50,616	$ 16,517	$ 67,133	$ 4,888	$ 13,222	$ 18,110	$ 49,023	270.7 %

(1) The joint venture completed the sale of its remaining operating assets in 2019 and is currently in the process of liquidating the remaining cash, which resulted in non-recurring residual earnings recognized during the years end December 31, 2022 and 2021.

During the year ended December 31, 2022, we received distributions from our unconsolidated investments, which totaled $67.1 million as compared to $18.1 million for the year ended December 31, 2021. Higher distributions during the year ended December 31, 2022 were a result of proceeds from sales transactions in the Espresso joint venture. Distributions continued to be limited by reinvestment and development in the Trilogy joint venture and operational challenges in the Diversified US/UK and Eclipse joint ventures.

The following table is a summary of operations and performance for the Trilogy and Diversified US/UK joint ventures (dollars in thousands):

	Trilogy				Diversified US/UK			
	Year Ended December 31,		Increase (Decrease)		Year Ended December 31,		Increase (Decrease)	
	2022	2021	Amount	%	2022	2021	Amount	%
Property and other revenues								
Total property and other revenues	$ 1,252,175	$ 1,009,256	$ 242,919	24.1 %	$ 225,222	$ 255,680	$ (30,458)	(11.9)%
Expenses								
Property operating expenses	1,107,757	913,443	194,314	21.3 %	128,363	119,731	8,632	7.2 %
Interest expense	51,648	39,123	12,525	32.0 %	102,593	77,484	25,109	32.4 %
Administrative, transaction & other	429	9,449	(9,020)	(95.5)%	10,317	3,692	6,625	179.4 %
Depreciation and amortization	65,393	55,729	9,664	17.3 %	77,628	84,416	(6,788)	(8.0)%
Impairment loss	—	—	—	NA	160,189	(2,288)	162,477	(7,101.3)%
Total expenses	1,225,227	1,017,744	207,483	20.4 %	479,090	283,035	196,055	69.3 %
Other income (loss), net	1,407	(1,355)	2,762	(203.8)%	(3,854)	(1,005)	(2,849)	283.5 %
Other gains (losses)	21,903	(2,593)	24,496	(944.7)%	22,050	(18)	22,068	(122,600.0)%
Income tax benefit (expense)	—	—	—	NA	3,115	2,690	425	15.8 %
Net income (loss)	$ 50,258	$ (12,436)	$ 62,694	(504.1)%	$ (232,557)	(25,688)	$ (206,869)	805.3 %
Ownership	*23.2 %*	*23.2 %*			*14.3 %*	*14.3 %*		
Equity in earnings (losses)	$ 11,652	$ (2,891)	$ 14,543	(503.0)%	$ (33,280)	$ (3,676)	$ (29,604)	805.3 %

Trilogy

The joint venture's facilities experienced continued occupancy recovery and revenue growth throughout 2022. Although operating margins were impacted by the effects of labor shortages and inflationary pressures, occupancy growth, coupled with higher rates, resulted in improved operating income in 2022. Additionally, federal COVID-19 provider relief grant income recognized during 2022, which totaled $24.8 million, exceeded grant income of $13.9 million recognized in 2021. Improvements to operating cash flows in 2022 were partially offset by higher interest expense, driven by rising LIBOR and outstanding debt.

Diversified US/UK

The Diversified US/UK Portfolio continued to face challenges during 2022. In the United Kingdom, the tenant of the U.K. Sub-Portfolio was unable to improve performance, pay its rent obligations under the lease and resolve its overall liquidity position. As a result, the joint venture completed a lease restructuring in November 2022, which included a reduction in rent based on the performance of the properties, the draw down of the rent deposit and the acquisition of the tenant by an affiliate of our Former Sponsor. In connection with the lease restructuring, the joint venture also restructured its existing debt, including incurring a new mezzanine tranche, and agreed to remain in cash trap until certain performance levels are achieved.

Within the United States, although the performance of the MOBs within the MOB Sub-Portfolio and Mixed U.S. Sub-Portfolio were both relatively stable, the seniors housing assets operated under management agreements continued to struggle with macroeconomic trends and slow recovery from the pandemic, including suboptimal occupancy, increased labor expenses and other inflationary pressures, and various tenants operating SNFs or specialty hospitals under net leases defaulted on their rent obligations within the Mixed U.S. Sub-Portfolio. The Mixed U.S. Sub-Portfolio has approximately $1.0 billion and $0.5 billion of mortgage and mezzanine floating-rate financing, respectively, or the Mixed U.S. Sub-Portfolio Debt, which is secured by all of the assets within the Mixed U.S. Sub-Portfolio. Rising interest rates under the Mixed U.S. Sub-Portfolio Debt, together with the operating challenges, created significant cash flow and liquidity issues within the Mixed U.S. Sub-Portfolio, resulting in a cash flow sweep beginning in July 2022 and ultimately a payment default on the mezzanine tranche of the Mixed U.S. Sub-Portfolio Debt in March 2023.

In August 2022, subsidiaries of the Diversified US/UK Portfolio entered into a purchase and sale agreement to sell the MOB Sub-Portfolio and all of the MOBs and two specialty hospitals within the Mixed U.S. Sub-Portfolio. However, due to a variety of factors, this purchase and sale agreement was terminated in February 2023, and the transaction proceeded with the sale of only the MOB Sub-Portfolio for a purchase price of $121.5 million, substantially all of which was used to repay debt on the MOB Sub-Portfolio and pay transaction expenses.

As a result of all of the above, the financial statements for the Diversified US/UK Portfolio for the year ended December 31, 2022 raised doubt regarding the joint venture's ability to continue as a going concern.

The following is a summary of operations and performance for the Espresso and Eclipse joint ventures for the year ended December 31, 2022:

- *Espresso:* During the year, the joint venture received full contractual rent from its net lease operators and distributed excess cash flows from operations and proceeds from sub-portfolio sales, of which our proportionate share totaled $5.0 million and $49.7 million, respectively. Rental income has declined as a result of the sub-portfolio sales. The joint venture continues to pursue dispositions of its remaining properties.
- *Eclipse:* The joint venture continued to struggle with cash flow and liquidity issues. During 2022, two sub-portfolios did not generate sufficient cash flow to cover expenses, capital needs and debt service, resulting in the disposition of one sub-portfolio consisting of seven properties for an amount equal to the debt and another sub-portfolio consisting of eight properties being placed into receivership by the lenders. In addition, the tenant of a net leased sub-portfolio of 10 SNFs stopped paying rent in its entirety, ultimately resulting in the sale of this portfolio for an amount equal to its debt in February 2023. The remaining three sub-portfolios also face operating challenges, to varying degrees, as a result of the macroeconomic environment and slow recovery from the pandemic, among other factors.

Recent Developments

The following is a discussion of material events which have occurred subsequent to December 31, 2022 through March 27, 2023.

Diversified US/UK Joint Venture

In February 2023, due to a variety of factors, subsidiaries of the Diversified US/UK Portfolio terminated the purchase and sale agreement to sell the MOB Sub-Portfolio and all of the MOBs and two specialty hospitals within the Mixed U.S. Sub-Portfolio and the transaction proceeded with the sale of only the MOB Sub-Portfolio for a purchase price of $121.5 million, substantially all of which was used to repay debt on the MOB Sub-Portfolio and pay transaction expenses. As a result of the reduced sale price and terminated purchase and sale agreement, the joint venture recorded additional impairment for the year ended December 31, 2022 which we recognized through equity in earnings (losses) on our consolidated statements of operations.

In addition, the Mixed U.S. Sub-Portfolio Debt, which had been in cash trap since July 2022, went into payment default on the mezzanine tranche as of March 2023.

TSA

On March 22, 2023, we amended the TSA to, among other things, extend the provision of legal services until such time as we elect to terminate such services in accordance with the TSA.

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."

We believe impairment to be a critical accounting estimate based on the nature of our operations and/or require significant management judgment and assumptions. 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, 2022, we recorded impairment losses on our operating real estate totaling $31.9 million. Impairment losses of $18.5 million, $8.5 million and $3.9 million for facilities in our Arbors, Winterfell and Rochester portfolios, respectively, were a result of declining operating margins and lower projected future cash flows. In addition, impairment losses totaling $0.8 million and $0.2 million were recorded for property damage sustained by facilities in our Winterfell portfolio and a facility in our Avamere portfolio, respectively.

Prior years' accumulated impairment losses totaled $149.7 million for operating real estate that we continue to hold as of December 31, 2022. Refer to our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 for additional information regarding impairment recorded in prior years.

Our unconsolidated ventures recorded impairment losses and reserves on properties in their respective portfolios, which have been recognized through our equity in earnings (losses), of which our proportionate share totaled $25.1 million for the year ended December 31, 2022. The Diversified US/UK and Eclipse joint ventures recorded impairment losses for facilities with lower projected future cash flows and shortened hold periods, of which our proportionate share was $22.9 million and $2.2 million, respectively.

In addition, we recorded impairment on our investment in the Diversified US/UK joint venture, which totaled $13.4 million and reduced the carrying value of our investment in the Diversified US/UK joint venture to $28.4 million as of December 31, 2022. Our assessment for the recoverability of our investment took into consideration the joint venture's post-COVID-19 underperformance, rising interest rates and the joint venture's ability to continue to service debt collateralized by substantially all of its domestically-located healthcare real estate.

At this time, it is difficult to assess and estimate the continuing impact of the COVID-19 pandemic, inflation, rising interest rates, risk of recession and other economic conditions. As the future impact 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

Comparison of the Year Ended December 31, 2022 to December 31, 2021 (dollars in thousands)

	Year Ended December 31,		Increase (Decrease)	
	2022	2021	Amount	%
Property and other revenues				
Resident fee income	$ 44,274	105,955	(61,681)	(58.2)%
Rental income	139,841	137,322	2,519	1.8 %
Other revenue	1,021	—	1,021	NA
Total property and other revenues	185,136	243,277	(58,141)	(23.9)%
Interest income				
Interest income on debt investments	—	4,667	(4,667)	(100.0)%
Expenses				
Property operating expenses	137,578	177,936	(40,358)	(22.7)%
Interest expense	43,278	61,620	(18,342)	(29.8)%
Transaction costs	1,569	54	1,515	2,805.6 %
Asset management fees - related party	8,058	11,105	(3,047)	(27.4)%
General and administrative expenses	13,938	12,691	1,247	9.8 %
Depreciation and amortization	38,587	54,836	(16,249)	(29.6)%
Impairment loss	45,299	5,386	39,913	741.1 %
Total expenses	288,307	323,628	(35,321)	(10.9)%
Other income, net	77	7,278	(7,201)	(98.9)%
Realized gain (loss) on investments and other	1,029	79,477	(78,448)	(98.7)%
Equity in earnings (losses) of unconsolidated ventures	47,625	15,843	31,782	200.6 %
Income tax expense	(61)	(99)	38	(38.4)%
Net income (loss)	$ (54,501)	$ 26,815	$ (81,316)	(303.2)%

Resident Fee Income

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

	Year Ended December 31,		Increase (Decrease)	
	2022	2021	Amount	%
Same store ALF/MCF properties (excludes properties sold)	$ 44,274	$ 40,668	$ 3,606	8.9 %
Properties sold	—	65,287	(65,287)	(100.0)%
Total resident fee income	$ 44,274	$ 105,955	$ (61,681)	(58)%

Resident fee income decreased $61.7 million as a result of property sales during 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 by $3.6 million primarily as a result of increases in average occupancy and rates at our ALFs.

Rental Income

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

	Year Ended December 31,		Increase (Decrease)	
	2022	2021	Amount	%
Same store ILF properties (excludes properties sold)	$ 138,245	$ 122,614	$ 15,631	12.7 %
Same store net lease properties (excludes properties sold)				
Rental payments	1,596	3,449	(1,853)	(53.7)%
Straight-line rental income (loss)	—	(7,350)	7,350	(100.0)%
Total same store net lease properties (excludes properties sold)	1,596	(3,901)	5,497	(140.9)%
Properties sold	—	18,609	(18,609)	(100.0)%
Total rental income	$ 139,841	$ 137,322	$ 2,519	1.8 %

Overall, rental income increased by $2.5 million as compared to year ended December 31, 2021. The increase was partially offset by the loss of revenues from properties sold in 2021.

Excluding properties sold, rental income increased by $21.1 million primarily as a result of improved occupancy at our ILFs during the year ended December 31, 2022 and the write-off of straight-line rent receivables at our Arbors portfolio during 2021.

Other Revenue

Other revenue consists of interest earned on uninvested cash balances during the year ended December 31, 2022.

Interest Income on Debt Investments

There was no interest income on debt investments recognized during the year ended December 31, 2022 as a result of receiving the full repayment of outstanding principal on our mezzanine loan debt investment in August 2021.

Property Operating Expenses

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

	Year Ended December 31,		Increase (Decrease)	
	2022	2021	Amount	%
Same store (excludes properties sold and COVID-19 related expenses)				
ALF/MCF properties	$ 36,469	$ 30,384	$ 6,085	20.0 %
ILF properties	100,303	89,970	10,333	11.5 %
Net lease properties	39	29	10	34.5 %
COVID-19 related expenses	407	2,528	(2,121)	(83.9)%
Properties sold	360	55,025	(54,665)	(99.3)%
Total Property operating expenses	$ 137,578	$ 177,936	$ (40,358)	(22.7)%

Overall, total operating expenses decreased $40.4 million primarily as a result of property sales during the year ended December 31, 2021.

Excluding properties sold, operating expenses increased $14.3 million, primarily a result of labor costs. Higher occupancy and inflationary pressures impacted significantly all variable operating costs, most notably utilities and food and beverage costs. Additionally, 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)	
	2022	2021	Amount	%
Same store (excludes properties sold)				
ALF/MCF properties	$ 5,954	$ 5,562	$ 392	7.0 %
ILF properties	33,715	33,000	715	2.2 %
Net lease properties	3,609	3,699	(90)	(2.4)%
Properties sold	—	18,618	(18,618)	(100.0)%
Corporate	—	741	(741)	(100.0)%
Total interest expense	$ 43,278	$ 61,620	$ (18,342)	(29.8)%

Interest expense decreased $18.3 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. Corporate interest expense represents interest resulting from the borrowings under the Sponsor Line, which was repaid in full in July 2021.

On a same store basis, while average mortgage notes principal balances have decreased as compared to December 31, 2021 due to continued principal amortization, interest expense on our floating rate debt has increased due to higher LIBOR.

Transaction Costs

Transaction costs for the year ended December 31, 2022 included $1.5 million for legal and professional fees incurred to complete the Internalization, as well as $0.1 million for costs associated with transition services provided by the Former Advisor to facilitate an orderly transition of the management of our operations.

Asset Management Fees - Related Party & General and Administrative Expenses

In connection with the Internalization, the advisory agreement was terminated on October 21, 2022, as a result asset management fees decreased by $3.0 million for the year ended December 31, 2022 as compared to December 31, 2021. Under our new internalized structure, we directly incur and pay all operating costs. General and administrative expenses increased $1.2 million primarily as a result of amortizing our directors' and officers' insurance premium incurred and reimbursed to the Former Advisor over the term of the policy, beginning in December 2021.

Depreciation and Amortization

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

	Year Ended December 31,		Increase (Decrease)	
	2022	2021	Amount	%
Same store (excludes properties sold)				
ALF/MCF properties	$ 7,171	$ 6,995	$ 176	2.5 %
ILF properties	28,087	29,306	(1,219)	(4.2)%
Net lease properties	3,329	3,444	(115)	(3.3)%
Properties sold	—	15,091	(15,091)	(100.0)%
Total depreciation and amortization	$ 38,587	$ 54,836	$ (16,249)	(29.6)%

Depreciation and amortization expense decreased $16.2 million, primarily as a result of properties sold during the year ended December 31, 2021, as well as impairments recognized during the years ended December 31, 2022 and 2021, which reduced building depreciation expense in 2022.

Impairment Loss

During the year ended December 31, 2022, impairment losses on operating real estate totaled $31.9 million and impairment losses recorded on unconsolidated ventures investments totaled $13.4 million. Refer to "—Impairment" for additional discussion.

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 independent living facility within our Winterfell portfolio and $0.8 million for our Smyrna net lease property, which was sold in May 2021.

Other Income, Net

Other income, net for the year ended December 31, 2022 consisted of $0.1 million in COVID-19 testing reimbursements received and recognized at our Avamere portfolio. For the year ended December 31, 2021, other income, net consisted of $7.7 million in federal COVID-19 provider relief grants from the U.S. Department of Health and Human Services, or HHS, partially offset by a $0.5 million non-operating loss recognized at a property within the Watermark Fountains.

Realized Gain (Loss) on Investments and Other

During the year ended December 31, 2022, we recognized gains on mortgage interest rate caps, a discounted financing payoff and distributions that exceeded our carrying value in our unconsolidated investments. Gains were partially offset by losses recognized on other investment activity.

During the year ended December 31, 2021, we recognized net gains on real estate property sales, which totaled $84.0 million and were partially offset by $8.7 million of debt extinguishment losses. 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.

Equity in Earnings (Losses) of Unconsolidated Ventures

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

	Year Ended December 31,							
	2022	2021	2022	2021	2022	2021		
Portfolio	Equity in Earnings (Losses)		FFO and MFFO adjustments[1]		Equity in Earnings, after FFO and MFFO adjustments		Increase (Decrease)	
Eclipse	$ (3,176)	$ 2,130	$ 2,851	$ (1,563)	$ (325)	$ 567	$ (892)	(157.3)%
Envoy	—	740	—	(744)	—	(4)	4	(100.0)%
Diversified US/UK	(33,280)	(3,676)	36,030	17,441	2,750	13,765	(11,015)	(80.0)%
Espresso	72,427	19,619	(66,393)	(9,690)	6,034	9,929	(3,895)	(39.2)%
Trilogy	11,652	(2,891)	11,966	15,033	23,618	12,142	11,476	94.5 %
Subtotal	$ 47,623	$ 15,922	$ (15,546)	$ 20,477	$ 32,077	$ 36,399	$ (4,322)	(11.9)%
Solstice	2	(79)	—	2	2	(77)	79	(102.6)%
Total	$ 47,625	$ 15,843	$ (15,546)	$ 20,479	$ 32,079	$ 36,322	$ (4,243)	(11.7)%

(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.

Our equity in earnings generated by our unconsolidated investments increased by $31.8 million primarily due to gains recognized on property sales in the Espresso joint venture and gains recognized by the Trilogy joint venture upon acquiring the remaining ownership interest of an investment portfolio. Gains recognized during the year ended December 31, 2022 exceeded the gains recognized on property sales in the Espresso and Eclipse joint ventures during the year ended December 31, 2021. The increase was offset by real estate impairments recorded by the Diversified US/UK and Eclipse joint ventures.

Equity in earnings, after FFO and MFFO adjustments, decreased by $4.2 million as a result of lower rental income recognized in the Diversified US/UK and Espresso joint ventures, partially offset by improvements in the Trilogy joint venture during the year ended December 31, 2022.

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)%
Total same store net lease properties (excludes properties sold)	(3,901)	10,615	(14,516)	(136.7)%
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 was impacted by a decline in 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 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

Prior to the termination of the advisory agreement, the Former Advisor received 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 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 the Former Advisor over the term of the policy, beginning in December 2021. The policy premium was expensed as incurred by the Former 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 the Former 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.

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.

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. 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.

We define MFFO in accordance with the concepts established by the IPA. 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.

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 upon completion of our organization and offering, and acquisition and development stages. 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 determined not to pursue an exit strategy.

MFFO does have certain limitations. For instance, 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. 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. 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.

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,		
	2022	2021	2020
Funds from operations:			
Net income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	$ (54,100)	$ 25,067	$ (261,458)
Adjustments:			
Depreciation and amortization	38,587	54,836	65,006
Depreciation and amortization related to non-controlling interests	(286)	(480)	(647)
Depreciation and amortization related to unconsolidated ventures	28,855	30,054	31,999
Realized (gain) loss from sales of property	92	(83,873)	—
Realized gain (loss) from sales of property related to non-controlling interests	(5)	2,092	—
Realized (gain) loss from sales of property related to unconsolidated ventures	(92,578)	(31,314)	(320)
Impairment losses of depreciable real estate	31,880	5,386	165,968
Impairment loss on real estate related to non-controlling interests	(117)	—	(2,253)
Impairment losses of depreciable real estate held by unconsolidated ventures	25,109	1,494	37,893
Funds from operations attributable to NorthStar Healthcare Income, Inc. common stockholders	$ (22,563)	$ 3,262	$ 36,188
Modified funds from operations:			
Funds from operations attributable to NorthStar Healthcare Income, Inc. common stockholders	$ (22,563)	$ 3,262	$ 36,188
Adjustments:			
Transaction costs	1,569	54	65
Straight-line rental (income) loss	—	7,803	441
Amortization of premiums, discounts and fees on investments and borrowings	3,859	4,177	4,975
Realized (gain) loss on investments and other	(1,121)	4,396	(302)
Adjustments related to unconsolidated ventures[(1)]	23,068	20,245	5,406
Adjustments related to non-controlling interests	3	(212)	(48)
Impairment of real estate related investment	13,419	—	—
Modified funds from operations attributable to NorthStar Healthcare Income, Inc. common stockholders	$ 18,234	$ 39,725	$ 46,725

(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, including corporate general and administrative 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.

We generated significant liquidity in 2021 from proceeds from asset sales and other realization events. As a result, on April 20, 2022, our board of directors declared the Special Distribution of $0.50 per share for each stockholder of record on May 2, 2022. The Special Distribution paid in cash on or around May 5, 2022 totaled $97.0 million. 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 management and board of directors will evaluate special distributions in connection with asset sales and other realizations 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.

As of March 27, 2023, we had approximately $94.5 million of unrestricted cash and currently believe that our capital resources are sufficient to meet our capital needs for the following 12 months.

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, we receive distributions from our investments in unconsolidated ventures. Net cash provided by operating activities was $7.8 million for the year ended December 31, 2022. We have utilized cash reserves generated from asset realizations to fund debt service payments, including principal amortization, which is expected to continue until the operating margins 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, cash flow has continued to be negatively impacted by suboptimal occupancy levels, rate pressures, cost inflation, rising interest rates and other economic market conditions. 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.

The operator of our Arbors net lease portfolio, Arcadia, has been impacted by the same factors discussed above, which has affected its ability to pay rent. Arcadia has been unable to satisfy its obligations under its leases since February 2021, and instead remits rent and pays property-level expenses based on its available cash. We are in discussions with Arcadia regarding the rent shortfalls and resulting defaults under the leases. However, we expect rent shortfalls to continue in the near-term, in varying amounts based on the property's performance, and may also directly incur operating expenses to the extent Arcadia is unable to generate sufficient cash flow.

We have significant joint ventures and will not be able to control the timing of distributions, if any, from these investments. As of December 31, 2022, our unconsolidated joint ventures and consolidated joint ventures represented 12.9% and 19.6%, respectively, of our total investments, based on carrying value. Our unconsolidated joint ventures, which have been similarly impacted as our direct investments by the COVID-19 pandemic, inflation, rising interest rates and other economic market conditions, may 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.

We are required to make recurring principal and interest payments on our borrowings. As of December 31, 2022, we had $922.4 million of consolidated asset-level borrowings outstanding. Fixed-rate borrowings totaled $792.0 million with interest rates ranging from 3.0% to 4.6%. Floating-rate borrowings totaled $130.3 million and are subject to fluctuating LIBOR or the SOFR. As of December 31, 2022, effective interest rates on floating rate debt ranged from 6.48% to 7.22%. During the year ended December 31, 2022, we paid $56.4 million in recurring principal and interest payments on borrowings.

As of December 31, 2022, our Winterfell portfolio had $596.4 million of borrowings outstanding, which matures in June 2025. As the impact of inflation, rising interest rates, risk of recession and other economic market conditions continue to influence our investments' performance, our ability to service or refinance our borrowings may be negatively impacted and we may experience defaults in the future.

As mentioned above, the operator of the Arbors net lease portfolio has defaulted under its lease obligations, which resulted in a non-monetary default under the mortgage notes collateralized by the properties as of December 31, 2022. To the extent that we do not receive sufficient rent from Arcadia to cover the contractual debt service on this portfolio, we are funding any shortfalls and are otherwise in compliance with the contractual terms under the mortgage notes collateralized by the properties.

Our unconsolidated joint ventures also have significant asset level borrowings, which may restrict cash distributions from the joint ventures if certain lender requirements are not met and may require capital to be funded if favorable refinancing is not obtained.

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, 2022, our leverage was 55.3% of our assets, other than intangibles, before deducting loan loss reserves, other non-cash reserves and depreciation. As of December 31, 2022, 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 57.9%.

For additional information regarding our borrowings, including principal repayments, timing of maturities and loans currently in default, refer to Note 5, "Borrowings" in our accompanying consolidated financial statements included in Part II, Item 8. "Financial Statements."

Capital Expenditures Activities

We are responsible for capital expenditures for our operating properties and may also fund capital expenditures for our net lease properties. We continue to invest capital into our direct investments 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.

The following table presents cash used for capital expenditures at our direct investments (dollars in thousands):

	Year Ended December 31,				
	2022	**2021**	**2020**	**2022 vs. 2021 Change**	**2021 vs. 2020 Change**
Same store (excludes properties sold)					
ALF/MCF properties	$ 3,310	$ 2,696	$ 1,604	$ 614	$ 1,092
ILF properties	25,622	16,427	10,032	9,195	6,395
Net lease properties	372	—	—	372	—
Properties sold	—	8,650	3,578	(8,650)	5,072
Total capital expenditures	$ 29,304	$ 27,773	$ 15,214	$ 1,531	$ 12,559

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. As the impact of inflation, rising interest rates, risk of recession and other economic market conditions continue to influence our properties' performance, there may be a negative impact on our ability to generate desired returns on dispositions. The current state of the public and private capital markets, which have been affected by a general tightening of availability of credit (including the price, terms and conditions under which it can be obtained), and decreased liquidity in certain financial markets, has resulted in limited transaction activity and may limit our ability to execute on our strategy of disposing of investments.

We have made significant investments through both consolidated and unconsolidated joint ventures with third parties. We have limited ability to influence material decisions at our unconsolidated joint ventures, including the disposition of assets. During the year ended December 31, 2022, our Espresso joint venture distributed the net proceeds generated from sub-portfolios sales, of which our proportionate share totaled $49.7 million.

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 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

On October 21, 2022, we terminated the advisory agreement and completed the Internalization. Prior to the termination of the advisory agreement, we reimbursed the Former Advisor for direct and indirect operating costs in connection with services provided to us. Under our new internalized structure, we will directly incur and pay all general and administrative costs.

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):	**2022**	**2021**	**2020**	**2022 vs. 2021 Change**	**2021 vs. 2020 Change**
Operating activities	$ 7,824	$ (6,438)	$ 31,018	$ 14,262	$ (37,456)
Investing activities	15,538	661,826	(8,415)	(646,288)	670,241
Financing activities	(118,640)	(538,020)	12,147	419,380	(550,167)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ (95,278)	$ 117,368	$ 34,750	$ (212,646)	$ 82,618

Year Ended December 31, 2022 compared to December 31, 2021

Operating Activities

Net cash provided by operating activities totaled $7.8 million for the year ended December 31, 2022, as compared to $6.4 million net cash used in operating activities for the year ended December 31, 2021. The change in cash flow from operating activities was a result of distributions received from our unconsolidated investment in the Espresso joint venture, which have been classified as operating cash flows to the extent positive earnings were recognized by the joint venture. For the year ended December 31, 2022, we classified $22.3 million of distributions from our Espresso joint venture as operating cash flows. Excluding these distributions, cash flow from operations has declined during the year ended December 31, 2022 as a result of portfolio sales during the year ended December 31, 2021.

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 $15.5 million for the year ended December 31, 2022 as compared to $661.8 million for the year ended December 31, 2021. Cash flows provided by investing activities for the year ended December 31, 2022 were from distributions received from our unconsolidated investments, other than those distributions classified as operating cash flows, which totaled $44.8 million and $18.1 million for the years ended December 31, 2022 and 2021, respectively. Cash inflows were used to fund recurring capital expenditures and operating shortfalls for existing investments and to pay corporate general and administrative expenses. Cash flows provided by investing activities for the year ended December 31, 2021 were from property sales and collection of outstanding principal on our real estate debt investment.

On a same store basis, capital expenditures increased during the year ended December 31, 2022, as compared to the year ended December 31, 2021. We continue to invest capital into our operating portfolios in order to maintain market position and enhance overall asset value.

Financing Activities

Cash flows used in financing activities were $118.6 million for the year ended December 31, 2022 compared to $538.0 million for the year ended December 31, 2021. For the year ended December 31, 2022, net cash flows used in financing activities were primarily attributable to the payment of the Special Distribution to stockholders, repayment of the financing on the Oak Cottage portfolio and continued principal amortization on our mortgage notes. Cash flows used in financing activities during the year ended December 31, 2021 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 for a property within our Aqua portfolio, which generated $6.5 million in net proceeds.

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. 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.

Off-Balance Sheet Arrangements

As of December 31, 2022, we are not dependent on the use of any off-balance sheet financing arrangements for liquidity. We have made investments in unconsolidated ventures. Refer to Note 4, "Investments in Unconsolidated Ventures" in Part II. Item 8. "Financial Statements" 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

From inception through December 31, 2022, we declared $530.9 million in distributions, inclusive of the recent Special Distribution, and generated cumulative FFO of $109.3 million. From the date of our first investment on April 5, 2013 through December 31, 2017, we declared an annualized distribution amount of $0.675 per share of our common stock. From January 1, 2018 through January 31, 2019, we declared an annualized distribution amount of $0.3375 per share of our common stock. Effective February 1, 2019, our board of directors suspended recurring distributions in order to preserve capital and liquidity. On April 20, 2022, our board of directors declared the Special Distribution of $0.50 per share for each stockholder of record on May 2, 2022 totaling approximately $97.1 million. 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 management and board of directors will evaluate special distributions in connection with asset sales and other realizations 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.

To the extent distributions are paid from sources other than FFO, the ownership interest of our public stockholders may 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.

Related Party Arrangements

Former Advisor

Prior to the Internalization, the Former Advisor was responsible for managing our affairs on a day-to-day basis and for identifying, acquiring, originating and asset managing investments on our behalf. For such services, to the extent permitted by law and regulations, the Former Advisor received fees and reimbursements from us. Pursuant to the advisory agreement, the Former Advisor could defer or waive fees in its discretion.

In connection with the Internalization, the advisory agreement was terminated on October 21, 2022.

Fees to Former Advisor

Asset Management Fee

Prior to the termination of the advisory agreement, the Former Advisor received 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 subject to adjustments 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 was paid entirely in shares of our common stock at a price per share equal to the most recently published net asset value per share. From January 1, 2022 through the October 21, 2022 termination of the advisory agreement, the fee was reduced if our corporate cash balances exceeded $75.0 million, subject to the terms and conditions set forth in the advisory agreement. As of December 31, 2022, there was no outstanding asset management fee due to the Former Advisor as a result of the termination of the advisory agreement.

Acquisition Fee

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

Disposition Fee

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

Reimbursements to Former Advisor

Operating Costs

Under our new internalized structure, we directly incur and pay all operating costs. Prior to the termination of the advisory agreement, the Former Advisor was entitled to receive reimbursement for direct and indirect operating costs incurred by the Former Advisor in connection with administrative services provided to us. The Former Advisor allocated, in good faith, indirect costs to us related to the Former 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 Former Advisor. The indirect costs included our allocable share of the Former Advisor's compensation and benefit costs associated with dedicated or partially dedicated personnel who spent 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 included rental and occupancy, technology, office supplies and other general and administrative costs and expenses. However, there was no reimbursement for personnel costs related to our executive officers (although reimbursement for certain executive officers of the Former Advisor was permissible) and other personnel involved in activities for which the Former Advisor received an acquisition fee or a disposition fee. The Former Advisor allocated these costs to us relative to its and its affiliates' other managed companies in good faith and reviewed the allocation with our board of directors, including our independent directors. The Former Advisor updated our board of directors on a quarterly basis of any material changes to the expense allocation and provided a detailed review to the board of directors, at least annually, and as otherwise requested by the board of directors.

Total operating costs (including the asset management fee) reimbursable to our Former Advisor were limited 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 were able to incur expenses in excess of this limitation if a majority of our independent directors determined that such excess expenses were justified based on unusual and non-recurring factors. For the year ended December 31, 2022, total operating expenses included in the 2%/25% Guidelines represented 0.9% of average invested assets and 65.6% of net income, as defined above. As of December 31, 2022, the Former Advisor did not have any unreimbursed operating costs which remained eligible to be allocated to us.

Transition Services

In connection with the Internalization, on October 21, 2022, we, the Operating Partnership and the Former Advisor entered into a Transition Services Agreement, or TSA, to facilitate an orderly transition of the management of our operations. The TSA, as amended from time to time, provides for, among other things, the Former Advisor to provide certain services, including primarily technology and insurance, for a transition period of up to six months following the Internalization, with legal, treasury and accounts payable services to continue until either party terminates these services in accordance with the TSA. We will reimburse the Former Advisor for costs to provide the services, including the allocated cost of employee wages and compensation and actually incurred out-of-pocket expenses.

Summary of Fees and Reimbursements

The following table presents the fees and reimbursements incurred and paid to the Former Advisor (dollars in thousands):

Type of Fee or Reimbursement	Financial Statement Location	Due to Related Party as of December 31, 2021	Year Ended December 31, 2022 Incurred	Year Ended December 31, 2022 Paid	Due to Related Party as of December 31, 2022
Fees to Former Advisor Entities					
Asset management[1]	Asset management fees-related party	$ 937	$ 8,058	$ (8,995) [1]	$ —
Reimbursements to Former Advisor Entities[2]					
Operating costs	General and administrative expenses/ Transaction costs	6,401	9,258 [3]	(15,190)	469
Total		$ 7,338	$ 17,316	$ (24,185)	$ 469

(1) As a result of the termination of the advisory agreement on October 21, 2022, there were no outstanding asset management fees due to the Former Advisor as of December 31, 2022. Asset management fees paid through the year ended December 31, 2022 include a $0.1 million gain recognized on the settlement of the share-based payment.
(2) For the year ended December 31, 2022, we did not incur any offering costs.
(3) Includes $0.1 million for costs incurred under the TSA during the year ended December 31, 2022.

Type of Fee or Reimbursement	Financial Statement Location	Due to Related Party as of December 31, 2020	Year Ended December 31, 2021 Incurred	Year Ended December 31, 2021 Paid	Due to Related Party as of December 31, 2021
Fees to Former Advisor Entities					
Asset management[1]	Asset management fees-related party	$ 923	$ 11,105	$ (11,091) [1]	$ 937
Reimbursements to Former Advisor Entities[2]					
Operating costs	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) For the year ended December 31, 2021, we did not incur any offering costs.

During the year ended December 31, 2022, we issued 2.3 million shares totaling $8.9 million based on the estimated value per share on the date of each issuance, to an affiliate of the Former Advisor as part of its asset management fee, prior to the termination of the advisory agreement. As of December 31, 2022, the Former Advisor, the Former Sponsor and their affiliates owned a total of 9.7 million shares, or $28.4 million of our common stock based on our most recent estimated value per share. As of December 31, 2022, the Former Advisor, the Former Sponsor and their affiliates owned 4.97% of the total outstanding shares of our common stock.

Incentive Fee

NorthStar Healthcare Income OP Holdings, LLC, an affiliate of the Former Advisor, or the Special Unit Holder, 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, 2022, the Special Unit Holder has not received any incentive fees.

Investments in Joint Ventures

Solstice, the manager of the Winterfell portfolio, is a joint venture between affiliates of ISL, who own 80.0%, and us, who owns 20.0%. For the year ended December 31, 2022, we recognized property management fee expense of $5.6 million paid to Solstice related to the Winterfell portfolio.

The below table indicates our investments for which the Former 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 "—Business Update" and Note 4, "Investments in Unconsolidated Ventures" of Part II, Item 8. "Financial Statements" for further discussion of these investments:

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

Line of Credit - Related Party

In October 2017, we obtained the 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 borrowing and as of December 31, 2022, we had no outstanding borrowings under the Sponsor Line. The Sponsor Line had a borrowing capacity of $35.0 million at an interest rate of 3.5% plus LIBOR and had a maturity date of February 2024. On October 21, 2022, the Sponsor Line was terminated in connection with the termination of the advisory agreement. No amounts were outstanding under the Sponsor Line at the time of termination.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The principal market risks affecting us are interest rate risk, inflation 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, 2022, 14.1% 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. When borrowing at variable rates, we seek the lowest margins available and evaluate hedging opportunities. For our floating-rate borrowings we have entered into interest rate caps that involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up-front premium.

The interest rate on our floating-rate liabilities is a fixed spread over an index such as LIBOR or SOFR and typically reprices every 30 days. As of December 31, 2022, a hypothetical 100 basis point increase in interest rates would increase net interest expense by $0.9 million annually.

The U.K. Financial Conduct Authority, or FCA, ceased the publication of LIBOR for the one-week and two-month USD-LIBOR immediately after December 31, 2021 and intends to cease the publication of the remaining USD-LIBOR immediately after June 30, 2023. While the FCA does not expect any LIBOR settings to be unrepresentative before these dates, the U.S. Federal Reserve System, in conjunction with the Alternative Reference Rates Committee, have issued guidance encouraging market participants entering into new contracts to adopt SOFR as the replacement of LIBOR.

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 or SOFR, 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.

Inflation Risk

Many of our costs are subject to inflationary pressures. These include labor, repairs and maintenance, food costs, utilities, insurance and other operating costs. Higher rates of inflation affecting the economy may substantially affect the operating margins of our investments. While our managers have an ability to partially offset cost inflation by increasing the rates charged to residents, this ability is often limited by competitive conditions and timing may lag behind cost volatility. Therefore, there can be no assurance that cost increases can be offset by increased rates charged to residents in real time or that increased rates will not result in occupancy declines.

Credit Risk

We are subject to the credit risk of the operators of our healthcare properties. The operator of our four net lease properties failed to remit contractual monthly rent obligations and it is not probable that these obligations will be satisfied in the foreseeable future.

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, 2022		Year Ended December 31, 2022	
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	3,993	$ 112,553	60.8 %
Watermark Retirement Communities	14	1,782	45,276	24.3 %
Avamere Health Services	5	453	19,778	10.7 %
Integral Senior Living	1	40	4,913	2.7 %
Arcadia Management[(4)]	4	572	1,597	0.9 %
Other[(5)]	—	—	1,019	0.6 %
Total	56	6,840	$ 185,136	100.0 %

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(1) Represents rooms for ALFs and ILFs and MCFs, 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 and MCFs, 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, 2022, we recorded rental income to the extent rental payments were received.
(5) Consists primarily of interest income earned on corporate-level cash accounts.

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

Item 8. Financial Statements

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, 2022 and 2021, the related consolidated statements of comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, 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, for the years ended December 31, 2021 and 2020, which is accounted for under the equity method of accounting. The equity in its net loss was $3.7 million and $35.4 million of consolidated equity in earnings (losses) of unconsolidated ventures for the years ended December 31, 2021 and 2020, 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 provide a reasonable basis for our opinion.

Critical audit matters

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

Impairment of Operating Real Estate Assets

As described in Note 3 to the financial statements, as of December 31, 2022, the net carrying value of the Company's consolidated operating real estate assets was $933.0 million, including impairment losses related to operating real estate assets of $31.9 million recognized during the year then ended. The Company reviews its real estate portfolio quarterly, or more frequently as necessary, to assess whether there are any indicators that the value of its operating real estate may be impaired or that its carrying value may not be recoverable. We identified the Company's quantitative impairment assessment for operating real estate assets as a critical audit matter.

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

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

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

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

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

Impairment of Investments in Unconsolidated Ventures

As described in Note 4 to the financial statements, as of December 31, 2022, the net carrying value of the Company's consolidated investments in unconsolidated ventures was $176.5 million, including impairment losses of $13.4 million recognized during the year then ended. The Company reviews its investments portfolio quarterly, or more frequently as necessary, to assess whether there are any indicators that the value of its investments in unconsolidated venture may be impaired or that its carrying value may not be recoverable. We identified the Company's impairment assessment for investment in unconsolidated ventures as a critical audit matter.

The principal consideration for our determination that the impairment of investments in unconsolidated ventures is a critical audit matter is that the Company's impairment assessment is highly judgmental due to the significant estimation involved in assessing the expected future cash flows of the unconsolidated ventures. This includes the determination of inputs and assumptions such as investee asset valuation reports, financial statements, among others.

Our audit procedures related to the impairment of investments in unconsolidated ventures 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 investments in unconsolidated ventures, 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 assessed the methodologies used by management and evaluated the significant assumptions described above. The key inputs used in the assessment were substantiated through valuation reports issued by management's specialists, audited financial statements of unconsolidated ventures, and other relevant underlying data.

- We involved firm specialists in assessing the reasonableness of the valuation methodology for the investments in unconsolidated ventures and 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 27, 2023

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

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

	December 31, 2022	December 31, 2021
Assets		
Cash and cash equivalents	$ 103,926	$ 200,473
Restricted cash	11,734	10,465
Operating real estate, net	933,002	972,599
Investments in unconsolidated ventures	176,502	212,309
Receivables, net	2,815	3,666
Intangible assets, net	2,253	2,590
Other assets	7,603	10,771
Total assets(1)	$ 1,237,835	$ 1,412,873
Liabilities		
Mortgage and other notes payable, net	$ 912,248	$ 929,811
Due to related party	469	7,338
Escrow deposits payable	993	1,171
Accounts payable and accrued expenses	21,034	24,671
Other liabilities	2,019	3,064
Total liabilities(1)	936,763	966,055
Commitments and contingencies (Note 12)		
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, 2022 and December 31, 2021	—	—
Common stock, $0.01 par value, 400,000,000 shares authorized, 195,421,665 and 193,120,940 shares issued and outstanding as of December 31, 2022 and December 31, 2021, respectively	1,954	1,930
Additional paid-in capital	1,729,589	1,720,719
Retained earnings (accumulated deficit)	(1,428,840)	(1,277,688)
Accumulated other comprehensive income (loss)	(3,679)	(486)
Total NorthStar Healthcare Income, Inc. stockholders' equity	299,024	444,475
Non-controlling interests	2,048	2,343
Total equity	301,072	446,818
Total liabilities and equity	$ 1,237,835	$ 1,412,873

(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, 2022, the Operating Partnership includes $220.9 million and $178.8 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,		
	2022	**2021**	**2020**
Property and other revenues			
Resident fee income	$ 44,274	$ 105,955	$ 118,126
Rental income	139,841	137,322	157,024
Other revenue	1,021	—	198
Total property and other revenues	185,136	243,277	275,348
Interest income			
Interest income on debt investments	—	4,667	7,674
Expenses			
Property operating expenses	137,578	177,936	184,178
Interest expense	43,278	61,620	65,991
Transaction costs	1,569	54	65
Asset management fees - related party	8,058	11,105	17,170
General and administrative expenses	13,938	12,691	16,505
Depreciation and amortization	38,587	54,836	65,006
Impairment loss	45,299	5,386	165,968
Total expenses	288,307	323,628	514,883
Other income (loss)			
Other income, net	77	7,278	1,840
Realized gain (loss) on investments and other	1,029	79,477	302
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax expense	(102,065)	11,071	(229,719)
Equity in earnings (losses) of unconsolidated ventures	47,625	15,843	(34,466)
Income tax expense	(61)	(99)	(53)
Net income (loss)	(54,501)	26,815	(264,238)
Net (income) loss attributable to non-controlling interests	401	(1,748)	2,780
Net income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	$ (54,100)	$ 25,067	$ (261,458)
Net income (loss) per share of common stock, basic/diluted[(1)]	$ (0.28)	$ 0.13	$ (1.38)
Weighted average number of shares of common stock outstanding, basic/diluted[(1)]	194,343,635	191,629,613	189,573,204
Distributions declared per share of common stock	$ 0.50	$ —	$ —

(1) The Company issued 49,872 and 66,840 restricted stock units during the years ended December 31, 2022 and 2021, respectively. The impact of the restricted stock units on the diluted earnings per share calculation is de minimis for the years ended December 31, 2022 and 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,		
	2022	2021	2020
Net income (loss)	$ (54,501)	$ 26,815	$ (264,238)
Other comprehensive income (loss)			
Foreign currency translation adjustments related to investment in unconsolidated venture	(3,193)	(953)	937
Total other comprehensive income (loss)	(3,193)	(953)	937
Comprehensive income (loss)	(57,694)	25,862	(263,301)
Comprehensive (income) loss attributable to non-controlling interests	401	(1,748)	2,780
Comprehensive income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	$ (57,293)	$ 24,114	$ (260,521)

Refer to accompanying notes to consolidated financial statements.

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

	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Company's Stockholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount						
Balance as of December 31, 2019	189,111	1,891	1,702,260	(1,041,297)	(470)	$ 662,384	$ 5,120	$ 667,504
Share-based payment of advisor asset management fees	1,600	16	9,669	—	—	9,685	—	9,685
Issuance and amortization of equity-based compensation	29	—	169		—	169	—	169
Non-controlling interests - contributions	—	—	—	—	—	—	234	234
Non-controlling interests - distributions	—	—	—	—	—	—	(151)	(151)
Shares redeemed for cash	(331)	(3)	(2,075)	—	—	(2,078)	—	(2,078)
Other comprehensive income (loss)	—	—	—	—	937	937	—	937
Net income (loss)	—	—	—	(261,458)	—	(261,458)	(2,780)	(264,238)
Balance as of December 31, 2020	190,409	$ 1,904	$ 1,710,023	$ (1,302,755)	$ 467	$ 409,639	$ 2,423	$ 412,062
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
Share-based payment of advisor asset management fees	2,301	24	8,842	—	—	8,866	—	8,866
Amortization of equity-based compensation	—	—	28	—	—	28	—	28
Non-controlling interests - contributions	—	—	—	—	—	—	330	330
Non-controlling interests - distributions	—	—	—	—	—	—	(224)	(224)
Distributions declared	—	—	—	(97,052)	—	(97,052)	—	(97,052)
Other comprehensive income (loss)	—	—	—	—	(3,193)	(3,193)	—	(3,193)
Net income (loss)	—	—	—	(54,100)	—	(54,100)	(401)	(54,501)
Balance as of December 31, 2022	195,422	$ 1,954	$ 1,729,589	$ (1,428,840)	$ (3,679)	$ 299,024	$ 2,048	$ 301,072

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,		
	2022	2021	2020
Cash flows from operating activities:			
Net income (loss)	$ (54,501)	$ 26,815	$ (264,238)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:			
Equity in (earnings) losses of unconsolidated ventures	(47,625)	(15,843)	34,466
Depreciation and amortization	38,587	54,836	65,006
Impairment loss	45,299	5,386	165,968
Capitalized interest for mortgage and other notes payable	—	—	222
Amortization of below market debt	3,247	3,169	3,090
Straight-line rental (income) loss, net	—	7,803	441
Amortization of discount/accretion of premium on investments	—	(697)	(125)
Amortization of deferred financing costs	637	1,662	1,887
Amortization of equity-based compensation	207	165	169
Paid-in-kind interest on real estate debt investment	—	(194)	—
Realized (gain) loss on investments and other	(1,029)	(79,477)	(302)
Change in allowance for uncollectible accounts	519	176	2,371
Issuance of common stock as payment for asset management fees	8,058	10,557	9,685
Distributions from unconsolidated ventures	22,291	—	—
Changes in assets and liabilities:			
Receivables	332	1,756	(4,233)
Other assets	3,644	(1,287)	4,859
Due to related party	(5,928)	(985)	2,853
Escrow deposits payable	(90)	(2,680)	559
Accounts payable and accrued expenses	(5,222)	(17,346)	8,479
Other liabilities	(602)	(254)	(139)
Net cash provided by (used in) provided by operating activities	7,824	(6,438)	31,018
Cash flows from investing activities:			
Capital expenditures for operating real estate	(29,304)	(27,773)	(15,214)
Sales of operating real estate	—	596,414	927
Repayment of real estate debt investment	—	74,376	—
Investments in unconsolidated ventures	—	(400)	—
Distributions from unconsolidated ventures	44,842	18,110	5,923
Real estate debt investment modification fee	—	686	—
Other assets	—	413	(51)
Net cash provided by (used in) investing activities	15,538	661,826	(8,415)
Cash flows from financing activities:			
Borrowings from mortgage notes	—	26,000	—
Repayments of mortgage notes	(21,212)	(517,618)	(20,250)
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	(36)	(708)	—
Debt extinguishment costs	—	(8,288)	—
Payments under finance leases	(480)	(578)	(608)
Shares redeemed for cash	—	—	(2,078)
Distributions paid on common stock	(97,018)	—	—
Contributions from non-controlling interests	330	724	234
Distributions to non-controlling interests	(224)	(2,552)	(151)
Net cash (used in) provided by financing activities	(118,640)	(538,020)	12,147
Net increase (decrease) in cash, cash equivalents and restricted cash	(95,278)	117,368	34,750
Cash, cash equivalents and restricted cash-beginning of period	210,938	93,570	58,820
Cash, cash equivalents and restricted cash-end of period	$ 115,660	$ 210,938	$ 93,570

Refer to accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	2022	2021	2020
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 38,836	$ 65,828	$ 53,140
Cash paid for income taxes	53	100	10
Supplemental disclosure of non-cash investing and financing activities:			
Accrued capital expenditures	$ 1,227	3,624	1,779
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"), owns a diversified portfolio of seniors housing properties, including independent living facilities ("ILF"), assisted living ("ALF") and memory care facilities ("MCF") located throughout the United States. In addition, the Company also has made investments through non-controlling interests in joint ventures in a broader spectrum of healthcare real estate, including seniors housing properties, as well as continuing care retirement communities ("CCRC"), skilled nursing ("SNF"), medical office buildings ("MOB"), specialty hospitals and ancillary services businesses, across the United States and 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 and NorthStar Healthcare Income OP Holdings, LLC (the "Special Unit Holder"). NorthStar Healthcare Income Advisor, LLC 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, 2022 and December 31, 2021. 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, 2022, 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.

From inception through December 31, 2022, 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").

The Internalization

From inception through October 21, 2022, the Company was externally managed by CNI NSHC Advisors, LLC or its predecessor (the "Former Advisor"), an affiliate of NRF Holdco, LLC (the "Former Sponsor"). The Former Advisor was responsible for managing the Company's operations, subject to the supervision of the Company's board of directors, pursuant to an advisory agreement. On October 21, 2022, the Company completed the internalization of the Company's management function (the "Internalization"). In connection with the Internalization, the Company agreed with the Former Advisor to terminate the advisory agreement and arranged for the Former Advisor to continue to provide certain services for a transition period. Going forward, the Company will be self-managed under the leadership of Kendall Young, who was appointed by the board of directors as Chief Executive Officer and President concurrent with the Internalization.

Impact of COVID-19

The Company's healthcare real estate business and investments have been challenged by suboptimal occupancy levels, lower labor force participation rates, which has driven increased labor costs, and inflationary pressures on other operating expenses.

These lasting effects from the response to the coronavirus 2019 ("COVID-19") pandemic will continue to impact Company's operational and financial performance. 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 remains difficult for the Company to assess and estimate the future impact on the Company's results of operations. Accordingly, any estimates 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 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.

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, 2022, 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, 2022 is $213.3 million related to such consolidated VIEs.

Included in mortgage and other notes payable, net on the Company's consolidated balance sheet as of December 31, 2022 is $173.2 million, collateralized by the real estate assets of the related consolidated VIEs.

Unconsolidated VIEs

As of December 31, 2022, the Company identified unconsolidated VIEs related to its investments in unconsolidated ventures with a carrying value of $176.5 million. The Company's maximum exposure to loss as of December 31, 2022 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, 2022. The Company did not provide financial support to its unconsolidated VIEs during the year ended December 31, 2022. As of December 31, 2022, 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 the COVID-19 pandemic, inflation, rising interest rates, risk of recession and other economic conditions 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,		
	2022	2021	2020
Cash and cash equivalents	$ 103,926	$ 200,473	$ 65,995
Restricted cash	11,734	10,465	27,575
Total cash, cash equivalents and restricted cash	$ 115,660	$ 210,938	$ 93,570

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, 2022, furniture, fixtures and equipment under finance leases totaled $0.5

million. The leased equipment is amortized on a straight-line basis. Payments for finance leases totaled $0.5 million and $0.7 million for the years ended December 31, 2022 and 2021, 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:		
2023	$	97
2024		60
2025		29
2026		24
2027		18
Thereafter		10
Total minimum lease payments	$	238
Less: Amount representing interest		(29)
Present value of minimum lease payments	$	209

The weighted average interest rate related to the finance lease obligations is 7.5% with a weighted average lease term of 3.4 years.

As of December 31, 2022, there were no leases that had yet to commence which would create significant rights and obligations to the Company as lessee.

Intangible Assets and Deferred Costs

Deferred Costs

Deferred costs primarily include deferred financing costs and deferred leasing 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 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.

Identified intangible assets are recorded in intangible assets, net on the consolidated balance sheets. Intangible assets relate to the Company's in-place lease values for the Company's four net lease properties. The following table presents intangible assets, net (dollars in thousands):

	December 31, 2022	December 31, 2021
In-place lease value	$ 120,149	$ 120,149
Less: Accumulated amortization	(117,896)	(117,559)
Intangible assets, net	$ 2,253	$ 2,590

The Company recorded $0.3 million and $1.4 million of amortization expense for in-place leases for the years ended December 31, 2022 and 2021, respectively.

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

Years Ending December 31:	
2023	$ 337
2024	337
2025	337
2026	337
2027	337
Thereafter	568
Total	$ 2,253

Derivative Instruments

The Company uses derivative instruments to manage its interest rate risk. The Company's derivative instruments are recorded at fair value. The accounting for changes in fair value of derivatives depends upon whether or not the Company has elected to designate the derivative in a hedging relationship and the derivative qualifies for hedge accounting. Under hedge accounting, changes in fair value for derivatives are recorded through other comprehensive income. When hedge accounting is not elected, changes in fair value for derivatives are recorded through the income statement.

The Company has interest rate caps that have not been designated for hedge accounting. The fair value of the Company's interest rate caps totaled $0.7 million and $0.1 million as of December 31, 2022 and 2021, respectively, and are included in other assets on the consolidated balance sheets. Changes in fair value of derivatives totaled $0.5 million for the year ended December 31, 2022 and have been recorded in realized gain (loss) on investments and other in the consolidated statements of operations. For the year ended December 31, 2021, changes in fair value of derivatives were de minimis.

Revenue Recognition

Operating Real Estate

Rental income from operating real estate is derived from leasing of space to operators and residents, 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, which includes community and move-in fees, is recognized 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. 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.

The operator of the Company's four net lease properties failed to remit contractual monthly rent obligations and the Company deemed it not probable that these obligations will be satisfied in the foreseeable future. For the year ended December 31, 2022, the Company recorded rental income to the extent rental payments were received.

For the years ended December 31, 2022 and 2021, total property and other revenue includes variable lease revenue of $11.2 million and $13.1 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 did not receive or recognize any grant income from the Provider Relief Fund administered by the U.S. Department of Health and Human Services during the year ended December 31, 2022. During the year ended December 31, 2021, the Company recognized $7.7 million of grant income. 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.

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. The Company had one debt investment, which was repaid in full in August 2021.

Impairment on Operating Real Estate and Investments in Unconsolidated Ventures

At this time, it is difficult for the Company to assess and estimate the continuing impact of the COVID-19 pandemic, inflation, rising interest rates, risk of recession and other economic conditions. The future economic effects 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 lasting effects of the COVID-19 pandemic, inflation, rising interest rates, risk of recession and other economic conditions 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, 2022, the Company recorded impairment losses on its operating real estate totaling $31.9 million. The Company recorded impairment losses of $18.5 million, $8.5 million and $3.9 million for facilities in its Arbors, Winterfell and Rochester portfolios, respectively, as a result of declining operating margins and lower projected future cash flows. In addition, the Company recorded impairment losses totaling $0.8 million and $0.2 million for property damage sustained by facilities in its Winterfell portfolio and a facility in our Avamere portfolio, respectively.

During the year ended December 31, 2021, the Company recorded impairment losses totaling $5.4 million, consisting of $4.6 million recognized for one independent living facility within its Winterfell portfolio and $0.8 million for its Smyrna net lease property, which was sold in May 2021.

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 on the Company's investment in unconsolidated ventures, 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 impairment loss in the consolidated statements of operations.

The Company recorded impairment on its investment in the Diversified US/UK joint venture, which totaled $13.4 million and reduced the carrying value of its investment in the Diversified US/UK joint venture to $28.4 million as of December 31, 2022. The Company's assessment for the recoverability of its investment took into consideration the joint venture's post-COVID-19 underperformance, rising interest rates and the joint venture's ability to continue to service debt collateralized by substantially all of its domestically-located healthcare real estate.

In addition, during the years ended December 31, 2022 and 2021, 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 was $25.1 million and $1.8 million, respectively.

Credit Losses on 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 receivables on a collective basis when similar risk characteristics exist. If the Company determines that a particular receivable does not share risk characteristics with its other receivables, the Company evaluates the receivable for expected credit losses on an individual basis.

When developing an estimate of expected credit losses on receivables, 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 receivable 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, 2022, the Company has not recorded an allowance for credit losses on its receivables.

Acquisition Fees and Expenses

The Company recorded an expense for certain acquisition costs and fees associated with transactions deemed to be business combinations in which it consolidated the asset and capitalized these costs for transactions deemed to be acquisitions of an asset, including an equity investment. Effective January 1, 2018, the Former Advisor no longer received 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 2022, 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 and state 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 sheet 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, 2022 totaled $15.3 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 $61,000, $99,000 and $53,000 for the years ended December 31, 2022, 2021 and 2020, 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, 2022 and 2021, 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 2022

Disclosures by Business Entities about Government Assistance—In November 2021, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("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 Company adopted ASU No. 2021-10 on January 1, 2022, with no transitional impact upon adoption.

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 No. 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 does 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 No. 842-10-25-2 through 25-3; and 2) the lessor would have otherwise recognized a day-one loss. The amendments in ASU No. 2021-05 are effective for fiscal years beginning after December 15, 2021. The Company adopted ASU No. 2021-05 on January 1, 2022, 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 ASU No. 2020-04 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")) to alternative reference rates (such as Secured Overnight Financing Rate ("SOFR")). 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. ASU No. 2020-04 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.

In December 2022, the FASB issued ASU No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848.* The guidance defers the sunset date of ASU No. 2020-04 from December 31, 2022 to December 31, 2024. The

Company continues to evaluate the impact of the guidance and may elect practical expedients or exceptions as applicable over time as reference rate reform activities occur.

3. Operating Real Estate

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

	December 31, 2022	December 31, 2021
Land	$ 121,518	$ 121,518
Land improvements	18,945	17,798
Buildings and improvements	957,924	965,630
Tenant improvements	372	—
Construction in progress	6,736	8,141
Furniture, fixtures and equipment	91,058	84,813
Subtotal	$ 1,196,553	$ 1,197,900
Less: Accumulated depreciation	(263,551)	(225,301)
Operating real estate, net	$ 933,002	$ 972,599

For the years ended December 31, 2022, 2021 and 2020, depreciation expense was $38.3 million, $53.5 million and $63.1 million, respectively.

Within the table above, buildings and improvements have been reduced by accumulated impairment losses of $181.5 million and $149.7 million as of December 31, 2022 and December 31, 2021, respectively. Operating real estate impairment losses totaled $31.9 million and $5.4 million for the years ended December 31, 2022 and 2021, respectively. Refer to Note 2, "Summary of Significant Accounting Policies" for further discussion.

Net Lease Rental Income

Net lease properties owned as of December 31, 2022 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. 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.

Beginning in February 2021, the operator of the Company's net lease properties failed to remit contractual monthly rent obligations and the Company deemed it not probable that these obligations will be satisfied in the future. As a result, during the year ended December 31, 2022, the Company recorded rental income to the extent rental payments were received. The following table presents the future contractual rent obligations for the operator of the Company's net lease properties over the next five years and thereafter as of December 31, 2022 (dollars in thousands):

Years Ending December 31:[(1)]	
2023	$ 10,919
2024	11,192
2025	11,472
2026	11,759
2027	12,053
Thereafter	21,792
Total	$ 79,187

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

4. Investments in Unconsolidated Ventures

All investments in unconsolidated ventures are accounted for under the equity method. The following table presents the Company's investments in unconsolidated ventures (dollars in thousands):

			Carrying Value[1]	
Portfolio	Acquisition Date	Ownership	December 31, 2022	December 31, 2021
Trilogy	Dec-2015	23.2 %	$ 128,884	$ 126,366
Diversified US/UK	Dec-2014	14.3 %	28,442	80,766
Espresso[2]	Jul-2015	36.7 %	18,019	—
Eclipse	May-2014	5.6 %	834	4,856
Subtotal			$ 176,179	$ 211,988
Solstice[3]	Jul-2017	20.0 %	323	321
Total			$ 176,502	$ 212,309

(1) Includes $1.3 million and $9.8 million of capitalized acquisition costs for the Company's investments in the Eclipse and Trilogy joint ventures, respectively.
(2) As a result of impairments and other non-cash reserves recorded by the joint venture, the Company's carrying value of its investment in Espresso was reduced to zero in the fourth quarter of 2018. The Company recognized its proportionate share of earnings and losses of the Espresso joint venture through the carrying value of its mezzanine loan debt investment, which was originated to a subsidiary of the Espresso joint venture, through the time of its repayment in August 2021. During the year ended December 31, 2022, the Espresso joint venture recognized gains on sub-portfolio sales, which increased the Company's carrying value in its investment as of December 31, 2022.
(3) 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%.

The following table presents the results of the Company's investment in unconsolidated ventures (dollars in thousands):

	Year Ended December 31,			
	2022		2021	
Portfolio	Equity in Earnings (Losses)	Cash Distribution	Equity in Earnings (Losses)	Cash Distribution
Trilogy	$ 11,652	$ 9,134	$ (2,891)	$ 4,638
Diversified US/UK[1]	(33,280)	2,433	(3,676)	4,257
Espresso[2]	72,427	54,654	19,619	5,500
Eclipse	(3,176)	846	2,130	2,898
Envoy	—	66	740	817
Subtotal	$ 47,623	$ 67,133	$ 15,922	$ 18,110
Solstice	2	—	(79)	—
Total	$ 47,625	$ 67,133	$ 15,843	$ 18,110

(1) The Diversified US/UK joint venture recognized equity in losses during the year ended December 31, 2022 as a result of declining operating performance at the joint venture's net lease portfolios and the portfolio in the United Kingdom. In addition, the joint venture recorded impairment on its operating and net lease portfolios, of which our proportionate share was $22.9 million.
(2) During the year ended December 31, 2022, the Espresso joint venture recognized net gains related to sub-portfolio sales, of which the Company's proportionate share totaled $70.6 million. The Company was distributed its proportionate share of the net proceeds generated from the sales totaling $49.7 million.

Summarized Financial Data

The following table presents the Company's unconsolidated ventures combined balance sheets as of December 31, 2022 and 2021 and combined statements of operations for the year ended December 31, 2022, 2021 and 2020 (dollars in thousands):

	December 31, 2022	December 31, 2021		Years Ended December 31, 2022	2021	2020
Assets						
Operating real estate, net	$ 3,763,674	$ 4,051,899	Total revenues	$ 1,644,894	$ 1,493,341	$ 1,562,284
Other assets	1,015,121	1,273,224	Net income (loss)	$ (40,890)	$ 59,321	$ (294,501)
Total assets	$ 4,778,795	$ 5,325,123				
Liabilities and equity						
Total liabilities	$ 4,022,608	$ 4,277,887				
Equity	756,187	1,047,236				
Total liabilities and equity	$ 4,778,795	$ 5,325,123				

SEC Rule 3-09 of Regulation S-X requires that a company include audited financial statements for equity method investees when such investees are individually significant for a company's fiscal year. For the year ended December 31, 2022, the income from the Company's investment in the Trilogy joint venture was determined to be significant. As a result, Trilogy's audited financial statements for the year ended December 31, 2022 were included as Exhibit 99.1 in this Annual Report on Form 10-K.

5. Borrowings

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

	Recourse vs. Non-Recourse	Initial Maturity	Contractual Interest Rate(1)	December 31, 2022 Principal Amount(2)	December 31, 2022 Carrying Value(2)	December 31, 2021 Principal Amount(2)	December 31, 2021 Carrying Value(2)
Mortgage notes payable, net							
Aqua Portfolio							
Frisco, TX(3)	Non-recourse	Feb 2026	3.0%	$ 26,000	$ 25,560	$ 26,000	$ 25,431
Milford, OH	Non-recourse	Sep 2026	LIBOR + 2.68%	18,336	18,126	18,661	18,388
Rochester Portfolio							
Rochester, NY	Non-recourse	Feb 2025	4.25%	18,206	18,165	18,911	18,853
Rochester, NY(4)	Non-recourse	Aug 2027	LIBOR + 2.34%	100,651	100,042	101,224	100,495
Rochester, NY	Non-recourse	Aug 2023	LIBOR + 2.90%	11,336	11,315	11,732	11,716
Arbors Portfolio(5)							
Various locations	Non-recourse	Feb 2025	3.99%	83,423	83,051	85,369	84,799
Winterfell Portfolio(6)							
Various locations	Non-recourse	Jun 2025	4.17%	596,408	588,306	608,810	597,460
Avamere Portfolio(7)							
Various locations	Non-recourse	Feb 2027	4.66%	67,995	67,683	69,144	68,755
Subtotal mortgage notes payable, net				$ 922,355	$ 912,248	$ 939,851	$ 925,897
Other notes payable							
Oak Cottage							
Santa Barbara, CA(8)	Non-recourse	Repaid	6.00%	$ —	$ —	$ 3,914	$ 3,914
Subtotal other notes payable, net				$ —	$ —	$ 3,914	$ 3,914
Total mortgage and other notes payable, net				$ 922,355	$ 912,248	$ 943,765	$ 929,811

(1) Floating-rate borrowings total $130.3 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) The mortgage note carries a fixed interest rate of 3.0% through February 2024, followed by one-month adjusted SOFR, 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 June 2022, the Company repaid the outstanding financing on the Oak Cottage portfolio at discounted payoff of $3.7 million.

The following table presents future scheduled principal payments on mortgage and other notes payable based on initial maturity (dollars in thousands):

Years Ending December 31:		
2023	$	30,256
2024		19,612
2025		669,466
2026		46,876
2027		156,145
Thereafter		—
Total	$	922,355

As of December 31, 2022, 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, 2022, the Company remitted contractual debt service and is in compliance with the other contractual terms under the mortgage notes collateralized by the properties.

The financial covenant requirements under a mortgage note secured by a property in the Rochester portfolio have been waived by the lender through December 31, 2023. During the year ended December 31, 2022, the Company remitted contractual debt service and is in compliance with the other contractual terms under the mortgage note. As of December 31, 2022, the mortgage note payable had an outstanding principal balance of $18.2 million, which matures in February 2025. The mortgage note payable is not cross collateralized by the other properties in the Rochester portfolio.

Line of Credit - Related Party

In October 2017, the Company obtained a revolving line of credit from an affiliate of the Former Sponsor (the "Sponsor Line"). As of December 31, 2022, the Sponsor Line had a borrowing capacity of $35.0 million at an interest rate of 3.5% plus LIBOR and had a maturity date of February 2024. The Sponsor Line was terminated on October 21, 2022 in connection with the termination of the advisory agreement. No amounts were outstanding under the Sponsor Line at the time of termination.

6. Related Party Arrangements

Former Advisor

Prior to the Internalization, the Former Advisor was 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. For such services, to the extent permitted by law and regulations, the Former Advisor received fees and reimbursements from the Company. Pursuant to the advisory agreement, the Former Advisor could defer or waive fees in its discretion.

In connection with the Internalization, the advisory agreement was terminated on October 21, 2022.

Fees to Former Advisor

Asset Management Fee

Prior to the termination of the advisory agreement, the Former Advisor received 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 subject to adjustments 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 was 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. From January 1, 2022 through the October 21, 2022 termination of the advisory agreement, the fee was reduced if the Company's corporate cash balance exceeded $75.0 million, subject to the terms and conditions set forth in the advisory agreement. As of December 31, 2022, there was no outstanding asset management fee due to the Former Advisor as a result of the termination of the advisory agreement.

Acquisition Fee

Effective January 1, 2018, the Former Advisor no longer received an acquisition fee in connection with the Company's acquisitions of real estate properties or debt investments.

Disposition Fee

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

Reimbursements to Former Advisor

Operating Costs

Under the Company's new internalized structure, the Company directly incurs and pays all operating costs. Prior to the termination of the advisory agreement, the Former Advisor was entitled to receive reimbursement for direct and indirect operating costs incurred by the Former Advisor in connection with administrative services provided to the Company. The Former Advisor allocated, in good faith, indirect costs to the Company related to the Former 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 Former Advisor. The indirect costs included the Company's allocable share of the Former Advisor's compensation and benefit costs associated with dedicated or partially dedicated personnel who spent 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 included rental and occupancy, technology, office supplies and other general and administrative costs and expenses. However, there was no reimbursement for personnel costs related to executive officers (although reimbursement for certain executive officers of the Former Advisor was permissible) and other personnel involved in activities for which the Former Advisor received an acquisition fee or a disposition fee. The Former Advisor allocated these costs to the Company relative to its and its affiliates' other managed companies in good faith and reviewed the allocation with the Company's board of directors, including its independent directors. The Former Advisor updated the board of directors on a quarterly basis of any material changes to the expense allocation and provided a detailed review to the board of directors, at least annually, and as otherwise requested by the board of directors.

Total operating costs (including the asset management fee) reimbursable to our Former Advisor were limited 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 can incur 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. As of December 31, 2022, the Former Advisor did not have any unreimbursed operating costs which remained eligible to be allocated to the Company.

Transition Services

In connection with the Internalization, on October 21, 2022, the Company, the Operating Partnership and the Former Advisor entered into a Transition Services Agreement (the "TSA") to facilitate an orderly transition of the Company's management of its operations. The TSA, as amended from time to time, provides for, among other things, the Former Advisor to provide certain services, including primarily technology and insurance, for a transition period of up to six months following the Internalization, with legal, treasury and accounts payable services to continue until either party terminates these services in accordance with the TSA. The Company will reimburse the Former Advisor for costs to provide the services, including the allocated cost of employee wages and compensation and incurred out-of-pocket expenses.

Summary of Fees and Reimbursements

The following table presents the fees and reimbursements incurred and paid to the Former Advisor (dollars in thousands):

Type of Fee or Reimbursement	Financial Statement Location	Due to Related Party as of December 31, 2021	Year Ended December 31, 2022 Incurred	Year Ended December 31, 2022 Paid	Due to Related Party as of December 31, 2022
Fees to Former Advisor Entities					
Asset management[1]	Asset management fees-related party	$ 937	$ 8,058	$ (8,995) [1]	$ —
Reimbursements to Former Advisor Entities					
Operating costs	General and administrative expenses/ Transaction costs	6,401	9,258 [2]	(15,190)	469
Total		$ 7,338	$ 17,316	$ (24,185)	$ 469

(1) As a result of the termination of the advisory agreement on October 21, 2022, there was no outstanding asset management fees due to the Former Advisor as of December 31, 2022. Asset management fees paid through the year ended December 31, 2022 include a $0.1 million gain recognized on the settlement of the share-based payment.
(2) Includes $0.1 million for costs incurred under the TSA during the year ended December 31, 2022.

Type of Fee or Reimbursement	Financial Statement Location	Due to Related Party as of December 31, 2020	Year Ended December 31, 2021 Incurred	Year Ended December 31, 2021 Paid	Due to Related Party as of December 31, 2021
Fees to Former Advisor Entities					
Asset management[1]	Asset management fees-related party	$ 923	$ 11,105	$ (11,091) [1]	$ 937
Reimbursements to Former Advisor Entities					
Operating costs	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.

Pursuant to the advisory agreement, for the year ended December 31, 2022, the Company issued 2.3 million shares totaling $8.9 million, based on the estimated value per share on the date of each issuance, to an affiliate of the Former Advisor as part of its asset management fee. As of December 31, 2022, the Former Advisor, the Former Sponsor and their affiliates owned a total of 9.7 million shares, or $28.4 million of the Company's common stock based on the Company's most recent estimated value per share. As of December 31, 2022, the Former Advisor, the Former Sponsor and their affiliates owned 4.97% of the total outstanding shares of the Company's common stock.

Incentive Fee

The Special Unit Holder, an affiliate of the Former 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, 2022, the Special Unit Holder has not received any incentive fees from the Company.

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, 2022, the Company recognized property management fee expense of $5.6 million paid to Solstice related to the Winterfell portfolio.

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

Line of Credit - Related Party

The Company had a Sponsor Line, which provided up to $35.0 million at an interest rate of 3.5% plus LIBOR. The Sponsor Line was terminated on October 21, 2022 in connection with the termination of the advisory agreement. No amounts were outstanding under the Sponsor Line at the time of termination.

7. 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, 2022, the Company's independent directors were granted a total of 159,932 shares of restricted common stock and 116,712 restricted stock units totaling $1.3 million and $0.5 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 $206,917, $230,083 and $168,917 for the years ended December 31, 2022, 2021 and 2020, 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 $211,250 and $223,167 as of December 31, 2022 and 2021, respectively. The Company had 4,800 shares of restricted common stock that were unvested as of December 31, 2021 and have fully vested as of December 31, 2022. Unvested restricted stock units totaled 54,114 and 50,130 as of December 31, 2022 and 2021, respectively.

8. 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 were able to 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. Since inception, the Company issued 25.7 million shares of common stock, generating gross offering proceeds of $232.6 million pursuant to the DRP. 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. In April 2022, the Company's board of directors elected to suspend the DRP, effective April 30, 2022. As a result, all future distributions, if any, will be paid in cash. For the year ended December 31, 2022, the Company has not issued shares of common stock pursuant to the DRP.

Distributions

Effective February 1, 2019, the Company's board of directors determined to suspend recurring distributions in order to preserve capital and liquidity.

On April 20, 2022, the Company's board of directors declared and paid a special distribution of $0.50 per share (the "Special Distribution") for each stockholder of record on May 2, 2022 totaling approximately $97.1 million.

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). The Company did not have REIT taxable income for its taxable year ending December 31, 2021, therefore, it was not required to make distributions to its stockholders in 2021 to qualify as a REIT. The Company's most recently filed tax return is for the year ended December 31, 2021 and includes a net operating loss carry-forward of $226.5 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, 2022.

The Company previously funded repurchase requests with cash on hand, borrowings or other available capital.

9. 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, 2022, 2021 and 2020 was de minimis.

Other

Other non-controlling interests represent third-party equity interests in ventures that are consolidated with the Company's financial statements. Net loss attributable to the other non-controlling interests was $0.4 million for the year ended December 31, 2022. 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 for the year ended December 31, 2020.

10. 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.

Derivative Instruments

Derivative instruments consist of interest rate contracts and foreign exchange contracts that are generally traded over-the-counter, and are valued using a third-party service provider. Quotations on over-the counter derivatives are not adjusted and are generally valued using observable inputs such as contractual cash flows, yield curve, foreign currency rates and credit spreads, and are classified as Level 2 of the fair value hierarchy. Although credit valuation adjustments, such as the risk of default, rely on Level 3 inputs, these inputs are not significant to the overall valuation of its derivatives. As a result, derivative valuations in their entirety are classified as Level 2 of the fair value hierarchy.

Fair Value Hierarchy

Financial assets recorded at fair value on a recurring basis are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following table presents financial assets that were accounted for at fair value on a recurring basis as of December 31, 2022 and 2021 by level within the fair value hierarchy (dollars in thousands):

	December 31, 2022			December 31, 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets:						
Derivative assets - interest rate caps	$ —	$ 652	$ —	$ —	$ 105	$ —

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, 2022			December 31, 2021		
	Principal Amount	Carrying Value	Fair Value	Principal Amount	Carrying Value	Fair Value
Financial liabilities:(1)						
Mortgage and other notes payable, net	$ 922,355	$ 912,248	$ 882,754	$ 943,765	$ 929,811	$ 889,485

(1) The fair value of other financial instruments not included in this table is estimated to approximate their carrying value.

Disclosure about fair value of financial instruments is based on pertinent information available to management as of the reporting date. Although management is not aware of any factors that would significantly affect fair value, such amounts have not been comprehensively revalued for purposes of these consolidated financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

Mortgage and Other Notes Payable

The Company primarily uses rates currently available with similar terms and remaining maturities to estimate fair value. These measurements are determined using comparable U.S. Treasury and LIBOR rates as of the end of the reporting period. These fair value measurements are based on observable inputs, and as such, are classified as Level 2 of the fair value hierarchy.

Nonrecurring Fair Values

The Company measures fair value of certain assets on a nonrecurring basis when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Adjustments to fair value generally result from the application of lower of amortized cost or fair value accounting for assets held for sale or otherwise, write-down of asset values due to impairment.

The following table summarizes the fair value, measured at the time of impairment, of Level 3 assets which have been measured at fair value on a nonrecurring basis during the periods presented and the associated impairment losses (dollars in thousands):

	Years Ended December 31,					
	2022		2021		2020	
	Fair Value	Impairment Losses	Fair Value	Impairment Losses	Fair Value	Impairment Losses
Operating real estate, net[(1)]	$ 80,931	$ 30,900	$ 11,793	$ 5,386	$ 234,650	$ 164,215
Investments in unconsolidated ventures	$ 28,442	$ 13,419	—	—	—	—
Assets held for sale	—	—	—	—	5,000	1,753

(1) During the year ended December 31, 2022, the Company recorded impairment losses totaling $1.0 million for property damage sustained by facilities in its Winterfell and Avamere portfolios. The fair value and impairment losses of these facilities are excluded from the table as of December 31, 2022.

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 6.0% to 8.0% and discount rates ranging from 7.0% to 10.5%, third party appraisals and offer prices.

Investments in Unconsolidated Ventures

The Company recorded impairment on its investment in the Diversified US/UK joint venture, which totaled $13.4 million and reduced the carrying value of its investment in the Diversified US/UK joint venture to $28.4 million as of December 31, 2022. The Company's assessment for the recoverability of its investment took into consideration the joint venture's post-COVID-19 underperformance, rising interest rates and the joint venture's ability to continue to service debt collateralized by substantially all of its domestically-located healthcare real estate. Fair value of the joint venture's underlying operating real estate was estimated based upon various approaches including discounted cash flow analysis, using terminal capitalization rates ranging from 6.6% to 12.5% and discount rates ranging from 8.8% to 16.0%, and offer prices.

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. As of December 31, 2022 and December 31, 2021, the Company did not have any assets classified as held for sale.

11. Segment Reporting

The Company conducts its business through the following segments, which are based on how management reviews and manages its business.

- *Direct Investments - Operating* - Properties operated pursuant to management agreements with healthcare managers.
- *Direct Investments - Net Lease* - Properties operated under net leases with an operator.

- *Unconsolidated Investments* - 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.
- *Corporate* - The corporate segment includes corporate level asset management fees - related party and general and administrative expenses.
- *Debt Investments* - Mortgage loans or mezzanine loans to owners of healthcare real estate. The Company's remaining mezzanine loan was repaid in August 2021.

The Company primarily generates rental and resident fee income from its direct investments. Additionally, the Company reports its proportionate interest of revenues and expenses from unconsolidated investments through equity in earnings (losses) of unconsolidated ventures. During the years ended December 31, 2021 and 2020, the Company generated interest income on its real estate debt investment.

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

	Direct Investments					
Year Ended December 31, 2022	**Net Lease**	**Operating**	**Unconsolidated Investments**	**Debt Investment**	**Corporate[1]**	**Total**
Property and other revenues	$ 1,596	$ 182,519	$ —	$ —	$ 1,021	$ 185,136
Interest income on debt investments	—	—	—	—	—	—
Property operating expenses	(39)	(137,539)	—	—	—	(137,578)
Interest expense	(3,609)	(39,669)	—	—	—	(43,278)
Transaction costs	—	—	—	—	(1,569)	(1,569)
Asset management fees - related party	—	—	—	—	(8,058)	(8,058)
General and administrative expenses	—	(31)	—	—	(13,907)	(13,938)
Depreciation and amortization	(3,329)	(35,258)	—	—	—	(38,587)
Impairment loss	(18,500)	(13,380)	(13,419)	—	—	(45,299)
Other income, net	—	77	—	—	—	77
Realized gain (loss) on investments and other	88	499	310	—	132	1,029
Equity in earnings (losses) of unconsolidated ventures	—	—	47,625	—	—	47,625
Income tax expense	—	(61)	—	—	—	(61)
Net income (loss)	$ (23,793)	$ (42,843)	$ 34,516	$ —	$ (22,381)	$ (54,501)

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

	Direct Investments					
Year Ended December 31, 2021	**Net Lease**	**Operating**	**Unconsolidated Investments**	**Debt Investment**	**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 benefit (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.

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

	Direct Investments					
Total Assets:	**Net Lease**	**Operating**	**Unconsolidated Investments**	**Debt Investment**	**Corporate[(1)]**	**Total**
December 31, 2022	$ 83,435	$ 884,137	$ 176,502	$ —	$ 93,761	$ 1,237,835
December 31, 2021	104,809	908,517	212,309	—	187,238	1,412,873

(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, 2022		Year Ended December 31, 2022	
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	3,993	$ 112,553	60.8 %
Watermark Retirement Communities	14	1,782	45,276	24.3 %
Avamere Health Services	5	453	19,778	10.7 %
Integral Senior Living	1	40	4,913	2.7 %
Arcadia Management[(4)]	4	572	1,597	0.9 %
Other[(5)]	—	—	1,019	0.6 %
Total	56	6,840	$ 185,136	100.0 %

(1) Represents rooms for ALFs and ILFs and MCFs, 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 and MCFs, 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, 2022, the Company recorded rental income to the extent payments were received.
(5) Consists primarily of interest income earned on corporate-level cash accounts.

12. Commitments and Contingencies

As of December 31, 2022, 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 the COVID-19 pandemic may also lead to heightened risk of litigation, with an ensuing increase in litigation-related costs.

As of December 31, 2022, the Company recorded a contingency reserve of $0.5 million related to litigation matters against the manager of one of the Company's direct operating investments, for which the Company has indemnification obligations under the management agreement.

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 effects of 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.

13. Subsequent Events

The following is a discussion of material events which have occurred subsequent to December 31, 2022 through the issuance of the consolidated financial statements.

Diversified US/UK Joint Venture

In February 2023, due to a variety of factors, subsidiaries of the Diversified US/UK Portfolio terminated the purchase and sale agreement to sell the MOB Sub-Portfolio and all of the MOBs and two specialty hospitals within the Mixed U.S. Sub-Portfolio and the transaction proceeded with the sale of only the MOB Sub-Portfolio for a purchase price of $121.5 million, substantially all of which was used to repay debt on the MOB Sub-Portfolio and pay transaction expenses. As a result of the reduced sale price and terminated purchase and sale agreement, the joint venture recorded additional impairment for the year ended December 31, 2022 which the Company recognized through equity in earnings (losses) on its consolidated statements of operations.

In addition, the Mixed U.S. Sub-Portfolio Debt, which had been in cash trap since July 2022, went into payment default on the mezzanine tranche as of March 2023.

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2022
(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	18,336	1,160	14,440	3,789	1,160	18,229	19,389	5,011	14,378	Dec-13	40 years
Milford, OH	—	700	—	5,647	700	5,647	6,347	750	5,597	Jul-17	40 years
Frisco, TX	26,000	3,100	35,874	4,281	3,100	40,155	43,255	9,805	33,450	Feb-14	40 years
Apple Valley, CA	20,104	1,168	24,625	(4,849)	1,168	19,776	20,944	5,154	15,790	Mar-16	40 years
Auburn, CA	22,712	1,694	18,438	1,687	1,694	20,125	21,819	4,905	16,914	Mar-16	40 years
Austin, TX	25,008	4,020	19,417	2,801	4,020	22,218	26,238	5,766	20,472	Mar-16	40 years
Bakersfield, CA	15,871	1,831	21,006	1,744	1,831	22,750	24,581	5,463	19,118	Mar-16	40 years
Bangor, ME	20,240	2,463	23,205	1,743	2,463	24,948	27,411	5,469	21,942	Mar-16	40 years
Bellingham, WA	22,474	2,242	18,807	2,021	2,242	20,828	23,070	4,913	18,157	Mar-16	40 years
Clovis, CA	17,687	1,821	21,721	1,359	1,821	23,080	24,901	5,204	19,697	Mar-16	40 years
Columbia, MO	21,399	1,621	23,521	(6,565)	1,621	16,956	18,577	5,435	13,142	Mar-16	40 years
Corpus Christi, TX	17,535	2,263	20,142	(4,499)	2,263	15,643	17,906	4,738	13,168	Mar-16	40 years
East Amherst, NY	17,466	2,873	18,279	3,019	2,873	21,298	24,171	4,413	19,758	Mar-16	40 years
El Cajon, CA	19,785	2,357	14,733	1,467	2,357	16,200	18,557	3,921	14,636	Mar-16	40 years
El Paso, TX	11,510	1,610	14,103	1,734	1,610	15,837	17,447	3,862	13,585	Mar-16	40 years
Fairport, NY	15,575	1,452	19,427	2,969	1,452	22,396	23,848	4,413	19,435	Mar-16	40 years
Fenton, MO	23,145	2,410	22,216	1,335	2,410	23,551	25,961	5,502	20,459	Mar-16	40 years
Grand Junction, CO	18,369	2,525	26,446	3,169	2,525	29,615	32,140	6,024	26,116	Mar-16	40 years
Grand Junction, CO	9,412	1,147	12,523	1,213	1,147	13,736	14,883	3,313	11,570	Mar-16	40 years
Grapevine, TX	21,054	1,852	18,143	(8,171)	1,852	9,972	11,824	4,029	7,795	Mar-16	40 years
Groton, CT	16,588	3,673	21,879	(6,048)	3,673	15,831	19,504	5,098	14,406	Mar-16	40 years
Guilford, CT	22,905	6,725	27,488	(19,684)	6,725	7,804	14,529	4,766	9,763	Mar-16	40 years
Joliet, IL	14,057	1,473	23,427	(5,957)	1,473	17,470	18,943	4,793	14,150	Mar-16	40 years
Kennewick, WA	7,236	1,168	18,933	1,779	1,168	20,712	21,880	4,644	17,236	Mar-16	40 years
Las Cruces, NM	10,545	1,568	15,091	1,987	1,568	17,078	18,646	4,169	14,477	Mar-16	40 years
Lee’s Summit, MO	25,629	1,263	20,500	2,851	1,263	23,351	24,614	5,233	19,381	Mar-16	40 years
Lodi, CA	18,958	2,863	21,152	2,259	2,863	23,411	26,274	5,316	20,958	Mar-16	40 years
Normandy Park, WA	15,299	2,031	16,407	(2,844)	2,031	13,563	15,594	4,096	11,498	Mar-16	40 years
Palatine, IL	18,957	1,221	26,993	(10,972)	1,221	16,021	17,242	6,149	11,093	Mar-16	40 years
Plano, TX	15,168	2,200	14,860	(4,878)	2,200	9,982	12,182	3,917	8,265	Mar-16	40 years
Renton, WA	17,954	2,642	20,469	3,058	2,642	23,527	26,169	5,219	20,950	Mar-16	40 years
Sandy, UT	14,892	2,810	19,132	(5,631)	2,810	13,501	16,311	4,194	12,117	Mar-16	40 years
Santa Rosa, CA	26,342	5,409	26,183	2,627	5,409	28,810	34,219	6,484	27,735	Mar-16	40 years
Sun City West, AZ	24,204	2,684	29,056	(4,604)	2,684	24,452	27,136	6,620	20,516	Mar-16	40 years
Tacoma, WA	28,328	7,974	32,435	3,575	7,977	36,007	43,984	8,688	35,296	Mar-16	40 years
Frisco, TX	—	1,130	—	12,648	1,130	12,648	13,778	2,414	11,364	Oct-16	40 years
Albany, OR	8,351	958	6,625	(3,490)	758	3,335	4,093	1,449	2,644	Feb-17	40 years
Port Townsend, WA	15,966	1,613	21,460	1,259	996	23,336	24,332	4,719	19,613	Feb-17	40 years
Roseburg, OR	11,813	699	11,589	844	459	12,673	13,132	2,605	10,527	Feb-17	40 years
Sandy, OR	13,474	1,611	16,697	1,040	1,233	18,115	19,348	3,475	15,873	Feb-17	40 years
Santa Barbara, CA	—	2,408	15,674	531	2,408	16,205	18,613	2,763	15,850	Feb-17	40 years
Wenatchee, WA	18,391	2,540	28,971	1,058	1,534	31,035	32,569	5,570	26,999	Feb-17	40 years
Churchville, NY	6,538	296	7,712	896	296	8,608	8,904	1,919	6,985	Aug-17	35 years
Greece, NY	—	534	18,158	(11,063)	533	7,096	7,629	1,729	5,900	Aug-17	49 years
Greece, NY	26,681	1,007	31,960	2,400	1,007	34,360	35,367	6,278	29,089	Aug-17	41 years
Henrietta, NY	11,814	1,153	16,812	1,592	1,152	18,405	19,557	4,247	15,310	Aug-17	36 years
Penfield, NY	12,431	781	20,273	(11,445)	781	8,828	9,609	3,963	5,646	Aug-17	30 years
Penfield, NY	10,856	516	9,898	955	515	10,854	11,369	2,368	9,001	Aug-17	35 years
Rochester, NY	18,206	2,426	31,861	3,665	2,425	35,527	37,952	6,541	31,411	Aug-17	39 years
Rochester, NY	5,311	297	12,484	(8,992)	296	3,493	3,789	2,328	1,461	Aug-17	37 years

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2022

(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
Victor, NY	27,020	1,060	33,246	2,533	1,059	35,780	36,839	6,443	30,396	Aug-17	41 years
Victor, NY	11,336	557	13,570	57	555	13,629	14,184	1,916	12,268	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	22,198	4,258	27,805	(3,939)	4,258	23,866	28,124	6,626	21,498	Sep-14	40 years
Hauppauge, NY	13,468	2,086	18,495	(149)	2,086	18,346	20,432	5,087	15,345	Sep-14	40 years
Islandia, NY	33,094	8,437	37,198	(12,238)	8,437	24,960	33,397	9,046	24,351	Sep-14	40 years
Westbury, NY	14,663	2,506	19,163	293	2,506	19,456	21,962	4,589	17,373	Sep-14	40 years
Total	$ 922,355	$ 123,964	$ 1,120,722	$ (48,133)	$ 121,518	$ 1,075,035	$1,196,553	$ 263,551	$ 933,002		

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

The following table presents changes in the Company's operating real estate portfolio for the years ended December 31, 2022, 2021 and 2020 (dollars in thousands):

	Year Ended December 31,		
	2022	2021	2020
Balance at beginning of year	$ 1,197,900	$ 1,774,971	$ 1,931,032
Dispositions	—	(603,082)	—
Improvements	30,531	31,397	17,036
Impairment	(31,878)	(5,386)	(165,246)
Subtotal	1,196,553	1,197,900	1,782,822
Classified as held for sale(1)	—	—	(7,851)
Balance at end of year(2)	$ 1,196,553	$ 1,197,900	$ 1,774,971

(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 $349.4 million higher for federal income tax purposes as of December 31, 2022.

The following table presents changes in accumulated depreciation for the years ended December 31, 2022, 2021 and 2020 (dollars in thousands):

	Year Ended December 31,		
	2022	2021	2020
Balance at beginning of year	$ 225,301	$ 291,041	$ 230,814
Depreciation expense	38,250	53,476	63,078
Property dispositions	—	(119,216)	—
Subtotal	263,551	225,301	293,892
Classified as held for sale	—	—	(2,851)
Balance at end of year	$ 263,551	$ 225,301	$ 291,041

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES
SCHEDULE IV - MORTGAGE LOANS ON REAL ESTATE
December 31, 2022
(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, 2022, 2021 and 2010 (dollars in thousands):

	Years Ended December 31,		
	2022	2021	2020
Balance at beginning of year	$ —	$ 55,864	$ 55,468
Additions:			
Capitalized payment-in-kind interest	—	194	—
Loan modification fees	—	(687)	—
Deductions:			
Reclassification[(1)]	—	18,307	271
Repayment of principal	—	(74,376)	—
Amortization of acquisition costs, fees, premiums and discounts	—	698	125
Balance at end of year	$ —	$ —	$ 55,864

(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.

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

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 2023 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, 2022.

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:

(a)3. Exhibits

A list of exhibits required to be filed or furnished as part of this Annual Report on Form 10-K is set forth in the Exhibit Index below.

(c) Separate financial statements of subsidiaries not consolidated and fifty percent or less owned persons

The audited financial statements of Trilogy REIT Holdings, LLC for the year ended December 31, 2022 are included in Exhibit 99.1 of this Annual Report on Form 10-K.

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	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)
10.2	First Amendment to Amended and Restated Limited Partnership Agreement of NorthStar Healthcare Income Operating Partnership, LP (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 and incorporated herein by reference)
10.3	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)
10.4	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)
10.5	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)
10.6*	NorthStar Healthcare Income, Inc. Fifth Amended and Restated Independent Directors Compensation Plan
10.7	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)
10.8	Form of Restricted Stock Unit Award Certificate (filed as Exhibit 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 2021 and incorporated herein by reference)
10.9	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)
10.10	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)
10.11	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)
10.12^	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 (filed as Exhibit 10.17 to the Company's Annual Report on Form 10-K for the year ended December 31, 2021 and incorporated herein by reference).
10.13^^	Termination Agreement, dated October 21, 2022, by and among NorthStar Healthcare Income, Inc., NorthStar Healthcare Operating Partnership, LP, CNI NSHC Advisors, LLC and NRF Holdco, LLC (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K on October 21, 2022 and incorporated herein by reference)

Exhibit Number	Description of Exhibit
10.14^^	Transition Services Agreement, dated October 21, 2022, by and among NorthStar Healthcare Income, Inc., NorthStar Healthcare Operating Partnership, LP and CNI NSHC Advisors, LLC (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K on October 21, 2022 and incorporated herein by reference)
10.15*^^	First Amendment to Transition Services Agreement, dated March 22, 2023, by and among NorthStar Healthcare Income, Inc., NorthStar Healthcare Operating Partnership, LP and CNI NSHC Advisors, LLC
10.16	Offer Letter, dated October 21, 2022, from NorthStar Healthcare Income, Inc. to Kendall Young (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K on October 21, 2022 and incorporated herein by reference)
10.17	Restrictive Covenant Agreement, dated October 21, 2022, between NorthStar Healthcare Income, Inc. and Kendall Young (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K on October 21, 2022 and incorporated herein by reference)
10.18	Offer Letter, dated October 21, 2022, from NorthStar Healthcare Income, Inc. to Nicholas Balzo (filed as Exhibit 10.5 to the Company's Current Report on Form 8-K on October 21, 2022 and incorporated herein by reference)
10.19	Restrictive Covenant Agreement, dated October 21, 2022, between NorthStar Healthcare Income, Inc. and Nicholas Balzo (filed as Exhibit 10.6 to the Company's Current Report on Form 8-K on October 21, 2022 and incorporated herein by reference)
10.20	Retention Award Letter, dated July 29, 2022, from NRF Holdco, LLC and NorthStar Healthcare Income, Inc. to Nicholas Balzo (filed as Exhibit 10.7 to the Company's Current Report on Form 8-K on October 21, 2022 and incorporated herein by reference)
10.21	Form of Long-Term Incentive Award Agreement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K on March 9, 2022 and incorporated herein by reference)
21.1*	Significant Subsidiaries of the Registrant
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
99.1*	Trilogy REIT Holdings, LLC Consolidated Financial Statements as of December 31, 2022 and 2021 (Unaudited)
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
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith

** Furnished herewith

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

^^ Certain schedules and similar attachments have been omitted in reliance on Item 601(a)(5) of Regulation S-K. The Company will provide, on a supplemental basis, a copy of any omitted schedule or attachment to the SEC or its staff upon request.

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 27, 2023	By: /s/ KENDALL K. YOUNG
	Name: Kendall K. Young
	Title: *Chief Executive Officer, President and Director*

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Kendall K. Young and Nicholas R. Balzo 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/ KENDALL K. YOUNG Kendall K. Young	Chief Executive Officer, President and Director (Principal Executive Officer)	March 27, 2023
/s/ NICHOLAS R. BALZO Nicholas R. Balzo	Chief Financial Officer, Treasurer and Secretary (Principal Financial Officer and Principal Accounting Officer)	March 27, 2023
/s/ T. ANDREW SMITH T. Andrew Smith	Non-Executive Chairman	March 27, 2023
/s/ GREGORY A. SAMAY Gregory A. Samay	Director	March 27, 2023
/s/ JONATHAN A. CARNELLA Jonathan A. Carnella	Director	March 27, 2023

Description of Registrant's Securities

References herein to "company," "we," "us," or "our" refer to NorthStar Healthcare Income, Inc., a Maryland corporation, and its subsidiaries unless the context specifically requires otherwise.

The following is a summary of the material terms of shares of our common stock as set forth in our charter and is qualified in its entirety by reference to our charter. Under our charter, we have authority to issue a total of 450,000,000 shares of capital stock. Of the total number of shares of capital stock authorized, 400,000,000 shares are classified as common stock, par value $0.01 per share, and 50,000,000 shares are classified as preferred stock, par value $0.01 per share. Our board of directors, with the approval of a majority of the entire board of directors and without any action by our stockholders, may amend our charter from time-to-time to increase or decrease the aggregate number of shares of capital stock or the number of shares of capital stock of any class or series that we have authority to issue. Our board of directors may classify or reclassify any unissued shares of our common stock from time-to-time into one or more classes or series; provided, however, that the voting rights per share (other than any publicly held share) sold in a private offering shall not exceed the voting rights which bear the same relationship to the voting rights of publicly held shares as the consideration paid to us for each privately offered share bears to the book value of each outstanding publicly held share.

Common Stock

Subject to the restrictions on transfer and ownership of our stock and except as otherwise provided in our charter, the holders of shares of our common stock are entitled to one vote per share on all matters voted on by stockholders, including election of our directors. Our charter does not provide for cumulative voting in the election of directors. Therefore, under the mandatory provisions of the Maryland General Corporation Law (the "MGCL"), the holders of a majority of the outstanding shares of our common stock can elect our entire board of directors to hold office until the next annual meeting of stockholders and until successors are elected and qualify. Subject to any preferential rights of any outstanding series of preferred stock, the holders of shares of our common stock are entitled to such distributions as may be authorized from time-to-time by our board of directors out of legally available funds and declared by us and, upon liquidation, are entitled to receive all assets available for distribution to stockholders. All shares of our common stock issued in our offering will be fully paid and nonassessable shares of common stock. Holders of shares of our common stock will not have preemptive rights, which means that stockholders will not have an automatic option to purchase any new shares of common stock that we issue, or have appraisal rights, unless our board of directors determines that appraisal rights apply, with respect to all or any classes or series of our common stock, to one or more transactions occurring after the date of such determination in connection with which stockholders would otherwise be entitled to exercise such rights. Stockholders are not liable for our acts or obligations due to their statuses as stockholders.

We do not issue certificates for shares of our common stock. Shares of our common stock are held in "uncertificated" form which eliminates the physical handling and safekeeping responsibilities inherent in owning transferable share certificates and eliminates the need to return a duly executed share certificate to effect a transfer. DST Systems, Inc. acts as our registrar and as the transfer agent for shares of our common stock. Transfers can be effected simply by mailing a transfer and assignment form, which we will provide to stockholders at no charge, to:

NorthStar Healthcare Income, Inc.
c/o DST Systems, Inc.
P.O. Box 219923
Kansas City, Missouri 64121-9923
(888) 378-4636

Preferred Stock

Our charter authorizes our board of directors to classify and reclassify any unissued shares of our common stock and preferred stock into other classes or series of stock. Prior to issuance of shares of each class or series, our board of directors is required by the MGCL and by our charter to set, subject to our charter restrictions on transfer of our stock, the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption for each class or series. Thus, our board of directors could authorize the issuance of shares of common stock or preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. Our board of directors has no present plans to issue preferred stock, but may do so at any time in the future without stockholder approval. The issuance of preferred stock must be approved by a majority of our independent directors not otherwise interested in the transaction, who will have access, at our expense, to our legal counsel or to independent legal counsel.

Meetings, Special Voting Requirements and Access to Records

An annual meeting of our stockholders will be held each year on a specific date which will be at least 30 days after delivery of our annual report. Special meetings of our stockholders may be called only upon the request of a majority of our board of directors, a majority of our independent directors, the Chairman of our Board, our Chief Executive Officer, or our President and must be called by our Secretary to act on any matter that may properly be considered at a meeting of stockholders upon the written request of stockholders entitled to cast at least 10% of all the votes entitled to be cast on such matter at the meeting. Upon receipt of a written request of eligible stockholders, either in person or by mail, stating the purpose of the meeting, we will provide all stockholders, within ten days after receipt of such request, with written notice either in person or by mail, of such meeting and the purpose thereof. The meeting called upon stockholder request must be held on a date not less than 15 nor more than 60 days after the distribution of such notice, at a time and place specified in the request, or if none is specified, at a time and place convenient to stockholders. The presence either in person or by proxy of stockholders entitled to cast 50% of the votes entitled to be cast at a meeting on any matter will constitute a quorum. Generally, the affirmative vote of a majority of all votes cast is necessary to take stockholder action, except that a majority of the votes represented in person or by proxy at a meeting at which a quorum is present is required to elect a director and except as set forth in the next two paragraphs.

Under the mandatory provisions of the MGCL, stockholders are not entitled to vote to cause the company to dissolve or terminate, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless such matters are first declared advisable by the board of directors. Even if declared advisable by the board of directors, a Maryland corporation generally cannot perform any such action, unless the action is approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide in its charter for the approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Thus, our board of directors is required to obtain, as a matter of law, the approval of our stockholders on: (i) the amendment of our charter; (ii) our dissolution; or (iii) our merger or consolidation, a statutory share exchange, our conversion into another entity or the sale or other disposition of all or substantially all of our assets. Under our charter, these matters require the affirmative vote of stockholders entitled to cast at least a majority of the votes entitled to be cast on the matter. With respect to stock owned by our directors or any of their affiliates, neither our directors, nor any of their affiliates may vote or consent on matters submitted to stockholders regarding the removal of such directors or any of their affiliates or any transaction between us and any of them. In terms of determining the requisite percentage in interest of shares necessary to approve a matter on which our directors or their affiliates may not vote or consent, any shares owned by any of them shall not be included.

Stockholders have the power, without the concurrence of our board of directors to remove a director from our board of directors by the affirmative vote of stockholders entitled to cast at least a majority of the votes entitled to be cast generally in the election of directors.

Any stockholder will be permitted access to all of our records to which they are entitled under applicable law at all reasonable times and may inspect and copy any of them for a reasonable copying charge.

Under the MGCL, our stockholders are entitled to inspect and copy, upon written request during usual business hours, the following corporate documents: (i) our charter; (ii) our bylaws; (iii) minutes of the proceedings of our stockholders; (iv) annual statements of affairs; and (v) any voting trust agreements. A stockholder may also request access to any other corporate records, which may be evaluated solely in the discretion of our board of directors. Inspection of our records by the office or agency administering the securities laws of a jurisdiction will be provided upon reasonable notice and during normal business hours. An alphabetical list of the names, addresses and telephone numbers of our stockholders, along with the number of shares of our common stock held by each of them, is maintained as part of our books and records and is available for inspection by any stockholder or the stockholder's designated agent at our office upon request of the stockholders. The stockholder list will be updated at least quarterly to reflect changes in the information contained therein. A copy of the list will be mailed to any stockholder who requests the list within ten days of our receipt of the request. A stockholder may request a copy of the stockholder list in connection with matters relating to, without limitation, voting rights and the exercise of stockholder rights under federal proxy laws. A stockholder requesting a list will be required to pay reasonable costs of postage and duplication. In addition to the foregoing, stockholders have rights under Rule 14a-7 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which provides that, upon the request of investors and the payment of the expenses of the distribution, we are required to distribute specific materials to stockholders in the context of the solicitation of proxies for voting on matters presented to stockholders or, at our option, provide requesting stockholders with a copy of the list of stockholders so that the requesting stockholders may make the distribution of proxies themselves. If a proper request for the stockholder list is not honored, then the requesting stockholder will be entitled to recover certain costs incurred in compelling the production of the list as well as actual damages suffered by reason of the refusal or failure to produce the list. However, a stockholder will not have the right to, and we may require a requesting stockholder to represent that it will not, secure the stockholder list or other information for the purpose of selling or using the list for a commercial purpose not related to the requesting stockholder's interest in our affairs. We may also require such stockholder sign a confidentiality agreement in connection with the request.

Exclusive Forum

Our bylaws provide that the Circuit Court for Baltimore City, Maryland is the exclusive forum for derivative lawsuits brought on our behalf, actions for breach of fiduciary duty, actions pursuant to the MGCL and actions asserting claims governed by the internal affairs doctrine, unless we consent to the selection of an alternative forum.

Restriction on Transfer and Ownership of Shares of Capital Stock

For us to qualify as a real estate income trust ("REIT"), no more than 50% in value of the outstanding shares of our stock may be owned, directly or indirectly through the application of certain attribution rules under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), by any five or fewer individuals, as defined in the Internal Revenue Code to include specified entities, during the last half of any taxable year other than our first taxable year. In addition, the outstanding shares of our stock must be owned by 100 or more persons independent of us and each other during at least 335 days of a 12-month taxable year or during a proportionate part of a shorter taxable year, excluding our first taxable year for which we elect to be taxed as a REIT. In addition, we must meet requirements regarding the nature of our gross income to qualify as a REIT. One of these requirements is that at least 75% of our gross income for each calendar year must consist of rents from real property and income from other real property investments. The rents received by our operating partnership from any tenant will not qualify as rents from real property, which could result in our loss of REIT status, if we own, actually or constructively within the meaning of certain provisions of the Internal Revenue Code, 10% or more of the ownership interests in that tenant. To assist us in preserving our status as a REIT, among other purposes, our charter contains limitations on the transfer and ownership of shares of our stock which prohibit: (i) any person or entity from owning or acquiring, directly or indirectly, more than 9.8% in value of the aggregate of our then outstanding shares of capital stock or more than 9.8% in value or number of shares, whichever is more restrictive, of the aggregate of our then outstanding shares of common stock; (ii) any person or entity from owning or acquiring, directly or indirectly shares of our stock to the extent such ownership would result in our being "closely held" within the meaning of Section 856(h) of the Internal Revenue Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise failing to qualify as a REIT; and (iii) any transfer of or other event or transaction with respect to shares of capital stock that would result in the beneficial ownership of our outstanding shares of capital stock by fewer than 100 persons (determined under the principles of Section 856(a)(5) of the Internal Revenue Code).

Our charter provides that the shares of our capital stock that, if transferred, would: (i) result in a violation of the 9.8% ownership limits; (ii) result in us being "closely held" within the meaning of Section 856(h) of the Internal Revenue Code; (iii) cause us to own 9.9% or more of the ownership interests in a tenant of our real property or the real property of our operating partnership or any direct or indirect subsidiary of our operating partnership; or (iv) otherwise cause us to fail to qualify as a REIT, will be transferred automatically to a trust effective as of the close of business on the business day before the purported transfer of such shares of our capital stock. We will designate a trustee of the trust that will not be affiliated with us or the purported transferee or record holder. We will also name a charitable organization as beneficiary of the trust. The trustee will receive all dividends and other distributions on the shares of our capital stock held by the trust and will hold such dividends or distributions in trust for the benefit of the beneficiary. The trustee also will be entitled to exercise all voting rights of the shares of capital stock held by the trust. Subject to Maryland law, effective as of the date that shares have been transferred to the trustee, the trustee will have the authority (at the trustee's sole discretion) to rescind as void any vote cast by the intended transferee prior to our discovery that shares have been transferred to the trustee and to recast such vote in accordance with the desires of the trustee acting for the benefit of the charitable beneficiary; provided, however, that if we have already taken irreversible corporate action, then the trustee will not have the authority to rescind and recast such vote. The intended transferee will acquire no rights in such shares of capital stock, unless, in the case of a transfer that would cause a violation of the 9.8% ownership limits, the transfer is exempted (prospectively or retroactively) by our board of directors from the ownership limits based upon receipt of information (including certain representations and undertakings from the intended transferee) that such transfer would not violate the provisions of the Internal Revenue Code for our qualification as a REIT. In addition, our charter provides that any transfer of shares of our capital stock that would result in shares of our capital stock being beneficially owned by fewer than 100 persons will be null and void and the intended transferee will acquire no rights in such shares of our capital stock.

The trustee will transfer the shares of our capital stock to a person whose ownership of shares of our capital stock will not violate the ownership limits. The transfer will be made no later than 20 days after the later of our receipt of notice that shares of our capital stock have been transferred to the trust or the date we determine that a purported transfer of shares of stock has occurred. Upon any such transfer, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the purported transferee or holder. The purported transferee or holder will receive a per share price equal to the lesser of (i) the price per share in the transaction that resulted in the transfer of such shares to the trust (or, in the case of a gift or devise, the market price per share on the date of the event causing the shares to be held in trust); and (ii) the price received by the trustee net of any selling commission and expenses. The trustee may reduce the amount payable to the purported transferee or holder by the amount of dividends and other distributions which have been paid to the purported transferee or holder and are owed by the purported transferee or holder to the trustee. The charitable beneficiary will receive any excess amounts. If, prior to our discovery that shares have been transferred to the trustee, such shares are sold by a purported transferee or holder, then such shares shall be deemed to have been sold on behalf of the trust and, to the extent that the purported transferee or holder received an amount for such shares that exceeds the amount that such purported transferee or holder was entitled to receive, such excess must be paid and aggregated to the trustee upon demand.

In addition, until the trustee has sold the shares held in the trust, we or our designee have the right to purchase any shares held by the trust at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in the transfer of such shares to the trust (or, in the case of a gift or devise, the market price per share at the time of the gift or devise) and (ii) the market price on the date we, or our designee, exercise such right. Upon a sale to us, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the purported transferee or holder. We may reduce the amount payable to the purported transferee or holder by the amount of dividends and other distributions which have been paid to the purported transferee or holder and are owed by the purported transferee or holder to the trustee. We may pay the amount of such reduction to the trustee for the benefit of the charitable beneficiary.

Any person who (i) acquires or attempts to acquire shares of our capital stock in violation of the foregoing restrictions or (ii) owns shares of our capital stock that were transferred to any such trust, is required to give immediate written notice to us of such event, and any person who purports to transfer or receive shares of our capital stock subject to such limitations is required to give us 15 days written notice prior to such purported transaction. In both cases, such persons must provide to us such other information as we may request to determine the effect, if any, of such event on our status as a REIT. The foregoing restrictions will continue to apply until our board of directors determines it is no longer in our best interest to attempt to, or to continue to, qualify as a REIT or that compliance with the restrictions is no longer required for us to qualify as a REIT.

The ownership limits do not apply to a person or persons that our board of directors exempts (prospectively or retroactively) from the ownership limit upon appropriate assurances (including certain representations and undertakings from the intended transferee) that our qualification as a REIT is not jeopardized. Any person who owns more than 5% (or such lower percentage applicable under Treasury Regulations) of the outstanding shares of our capital stock during any taxable year is required to deliver a statement or affidavit setting forth the number of shares of our capital stock beneficially owned.

The exemptions for secondary trading available under California Corporations Code §25104(h) will be withheld, but there may be other exemptions to cover private sales by the bona fide owner for his own account without advertising and without being effected by or through a broker-dealer in a public offering.

Distributions

We are required to make distributions sufficient to satisfy the requirements for qualification as a REIT for federal income tax purposes. Generally, income distributed will not be taxable to us under the Internal Revenue Code if we distribute at least 90% of our taxable income each year (computed without regard to the distributions paid deduction and our net capital gain). Distributions will be authorized at the discretion of our board of directors and declared by us, in accordance with our income, cash flow and general financial condition. Our board of directors' discretion will be directed, in substantial part, by its obligation to cause us to comply with the REIT requirements. To date, we have generated and we expect to continue to generate net operating losses for tax purposes. Accordingly, we have not been and do not expect in the future to be required to make distributions to our stockholders to qualify as a REIT. Because we may receive income from interest or rents at various times during our fiscal year and because we may need cash flow from operations during a particular period to repurchase shares of our common stock or fund performance-based fees or expenses, our ability to make distributions may be negatively impacted and, distributions may not reflect our income earned in that particular distribution period and may be made in advance of actual receipt of funds in an attempt to make distributions relatively uniform. We are authorized to borrow money, issue new securities or sell assets to make distributions. There are no restrictions on the ability of our operating partnership to transfer funds to us.

We are not prohibited from distributing our own securities in lieu of making cash distributions to stockholders even though our securities are not readily marketable. Our board of directors does not intend to fund our distributions with our securities. However, our board may have to consider making distributions of our common stock if we do not have enough cash to satisfy the distribution requirements relating to our qualification as a REIT and we obtain a private letter ruling ("PLR") from the Internal Revenue Service treating the stock distributions as dividends for tax purposes. In such a case, we expect that we would offer our stockholders the opportunity to elect to receive their entire distribution in cash or shares of our common stock, subject to a cash limitation of not less than a percentage specified in the PLR of the aggregate distribution being made. If our stockholders were to elect to receive cash distributions in excess of the cash limitation, stockholders electing to receive cash would receive a prorated portion of the available cash and would receive the balance of their distributions in stock. The receipt of shares of our common stock in lieu of cash distributions may cause stockholders to incur transaction expenses in liquidating the shares. In addition, they may receive less for their shares in such liquidation than the amount we value the shares for purposes of the stock dividend. We do not have any current intention to list the shares of our common stock on a national securities exchange, nor is it expected that a public market for the shares of common stock will develop.

Our organizational documents permit us to pay distributions from any source, including from borrowings, sale of assets and from offering proceeds or we may make distributions in the form of taxable stock dividends. We have not established a cap on the use of proceeds to fund distributions. We have paid, and may pay in the future, distributions from sources other than our cash flow from operations, and therefore, we will have less cash available for investments and stockholders' overall return may be reduced.

Effective February 1, 2019, our board of directs determined to suspend distributions in order to preserve capital and liquidity. The distributions we had paid prior to such suspension generally were paid to stockholders on a monthly basis based on daily record dates on the first business day of the month following the month for which the distribution was accrued. From the date of our first investment on April 5, 2013 through December 31, 2017, we paid an annualized distribution amount of $0.675 per share of our common stock. For the year ended December 31, 2018 and month ended January 31, 2019, 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.

Our Valuation Process

We establish an estimated value per share of our common stock annually based on an independent appraisal of our assets and liabilities in compliance with FINRA rules and provide the estimated value per share to stockholders in our annual report. The estimated value per share of our common stock is based upon the fair value of our assets less the fair value of our liabilities under market conditions existing at the time of the valuation. We obtain independent third party appraisals for our properties and value our other assets in a manner we deem most suitable under the circumstances, which includes an independent appraisal or valuation. A committee comprised of independent directors is responsible for the oversight of the valuation process, including approval of the engagement of any third parties to assist in the valuation of assets, liabilities and unconsolidated investments. We anticipate that any property appraiser we engage will be a member of the Appraisal Institute with the MAI designation or such other professional valuation designation appropriate for the type and geographic locations of the assets being valued and will provide a written opinion, which will include a description of the reviews undertaken and the basis for such opinion. The valuations are estimates and consequently should not necessarily be viewed as an accurate reflection of the fair value of our investments nor will they necessarily represent the amount of net proceeds that would result from an immediate sale of our assets.

Distribution Reinvestment Plan

We adopted a distribution reinvestment plan ("DRP") through which common stockholders may elect to reinvest an amount equal to the distributions declared on their shares in additional shares of our common stock in lieu of receiving cash distributions. In April 2016 and effective through January 31, 2019, our board of directors determined that distributions may be reinvested in shares of our common stock at a price equal to the most recent estimated value per share of our shares of common stock. Effective February 1, 2019, we suspended payment of monthly distributions to stockholders and effective April 30, 2022, our board of directors elected to suspend the DRP. As a result, all future distributions, if any will be paid only in cash.

When our DRP is in effect, stockholders may elect to participate in our DRP by providing written notice to the plan administrator, indicating the portion of distributions to be paid in shares of our common stock. Participation in the plan, when our DRP is in effect, will begin with the next distribution made after acceptance of a stockholder's written notice. Stockholders may also withdraw at any time, without penalty, by delivering written notice to us. We may amend, suspend or terminate our DRP for any reason, except we may not amend our DRP to eliminate a participant's ability to withdraw from our DRP, at any time upon ten days prior written notice to participants. Participation in the plan may also be terminated with respect to any person to the extent that a reinvestment of distributions in shares of our common stock would cause the ownership limits contained in our charter to be violated. Following any termination of our DRP, all subsequent distributions to stockholders would be made in cash.

When our DRP is in effect, participants may acquire shares of our common stock pursuant to our DRP until the earliest date upon which: (i) all the common stock registered to be offered under our DRP is issued; (ii) our offering and any future offering pursuant to our DRP terminate, and we elect to deregister with the Securities and Exchange Commission (the "SEC") the unsold amount of our common stock registered to be offered under our DRP; or (iii) there is more than a de minimis amount of trading in shares of our common stock, at which time any registered shares of our common stock then available under our DRP will be sold at a price equal to the fair market value of the shares of our common stock, as determined by our board of directors by reference to the applicable sales price with respect to the most recent trades occurring on or prior to the relevant distribution date. In any case, the price per share will be equal to the then-prevailing market price, which will equal the price on the national securities exchange on which such shares of common stock are listed at the date of purchase.

When our DRP is in effect, holders of common units in our operating partnership may also participate in our DRP and have cash otherwise distributable to them by our operating partnership invested in our common stock at the current price for which shares are being offered pursuant to our DRP.

Stockholders who elect to participate in our DRP, and who are subject to U.S. federal income taxation laws, will be treated for tax purposes as having received a dividend in an amount equal to the fair value on the relevant distribution date of the shares of our common stock purchased with reinvested distributions, even though such stockholders have elected not to receive the distributions used to purchase those shares of common stock in cash. The tax consequences of participating in our DRP will vary depending upon each participant's particular circumstances, and stockholders are urged to consult their own tax advisors regarding the specific tax consequences of participation in our DRP.

All material information regarding the distributions to stockholders and the effect of reinvesting the distributions, including tax consequences, will be provided to the stockholders at least annually. Each stockholder participating in our DRP will have an opportunity to withdraw from the plan at least annually after receiving this information.

Share Repurchase Program

We adopted our share repurchase program effective August 7, 2012, which enabled stockholders to sell their shares to us in limited circumstances. In April 2020, our board of directors determined to suspend all repurchases under our share repurchase program effective April 30, 2020 in order to preserve capital and liquidity during the COVID-19 pandemic. There is no assurance that our share repurchase program will be reinstated on or before any certain date, if at all.

When our share repurchase program is in effect, we only repurchase shares in connection with a stockholder's death or qualifying disability, which is a disability as such term is defined in Section 72(m)(7) of the Internal Revenue Code that arises after the purchase of the shares requested to be repurchased. Repurchase requests must be made within two years of the death or qualifying disability of a stockholder and will be repurchased at a price equal to the lesser of the price paid for the shares, as adjusted for any stock dividends, combinations, splits, recapitalizations or any similar transaction with respect to the shares of common stock, or the most recently published estimated net asset value per share of our common stock, as adjusted for any stock dividends, combinations, splits, recapitalizations or any similar transaction with respect to the shares of common stock occurring subsequent to the date of our most recently published estimated net asset value per share. However, at any time that we are engaged in a primary offering of our shares, the repurchase price for our shares will not exceed the primary offering price.

When our share repurchase program is in effect, repurchases of shares of our common stock will be made quarterly upon written request to us at least 15 days prior to the end of the applicable quarter. Repurchase requests will be honored approximately 30 days following the end of the applicable quarter, which we refer to as the repurchase date. Stockholders may withdraw their repurchase request at any time up to three business days prior to the repurchase date.

We cannot guarantee that the funds set aside for our share repurchase program, when in effect, will be sufficient to accommodate all requests made in any quarter. In the event that we do not have sufficient cash available to repurchase all of the shares of our common stock for which repurchase requests have been submitted in any quarter, we plan to repurchase all shares of our common stock on a pro rata basis on the repurchase date when our share repurchase program is in effect. In addition, if we repurchase less than all of the shares subject to a repurchase request in any quarter, with respect to any unredeemed shares, we will seek to honor the remainder of the request in a future quarter, if possible, when such repurchases can be made pursuant to the limitations of the share repurchase program when in effect and when sufficient funds are available, unless the stockholder withdraws the request for repurchase. Such pending requests will be honored on a pro rata basis.

We are not obligated to repurchase shares of our common stock under our share repurchase program when our share repurchase program is in effect. For repurchases made in respect of repurchase requests in calendar year 2018 and thereafter, when our share repurchase program is in effect, we presently intend to limit the number of shares to be repurchased to the lesser of: (i) 5% of the weighted average number of shares of our common stock outstanding during the prior calendar year, less the number of shares repurchased to date during the current calendar year and (ii) repurchases that can be funded from the net proceeds received to date in the calendar quarter such repurchase requests were made from the sale of shares under our DRP. There is no fee in connection with a repurchase of shares of our common stock.

To the extent that the aggregate proceeds received from the sale of shares pursuant to our DRP are not sufficient to fund repurchase requests pursuant to the limitations outlined above, our board of directors may, in its sole discretion, choose to use other sources of funds to repurchase shares of our common stock. Such sources of funds could include cash on hand, cash available from borrowings and cash from liquidations of investments as of the end of the applicable month, to the extent that such funds are not otherwise dedicated to a particular use, such as working capital, cash distributions to stockholders or purchases of real estate assets.

Our share repurchase program, when in effect, only provides stockholders a limited ability to have shares repurchased for cash until a secondary market develops for our shares or until our shares are listed on a national securities exchange or included for quotation in a national securities market, at which time our share repurchase program would terminate. No such market presently exists nor are the shares currently listed on an exchange, and we cannot assure stockholders that any market for our shares will ever develop or that we will list the shares on a national securities exchange. Shares repurchased under our share repurchase program will become unissued shares and will not be resold unless such sales are made pursuant to transactions that are registered or exempt from registration under applicable securities laws.

In addition, our board of directors may, in its sole discretion, amend, suspend, or terminate our share repurchase program at any time, provided that any amendment that adversely affects the rights or obligations of a participant (as determined in the sole discretion of our board of directors) will only take effect upon ten days' prior written notice to stockholders, except that changes in the number of shares that can be repurchased during any calendar year will take effect only upon ten business days' prior written notice. Therefore, a stockholder may not have the opportunity to make a repurchase request prior to any potential termination of our share repurchase program.

Liquidity Events

Subject to then-existing market conditions, we expect to consider alternatives for providing liquidity to our stockholders beginning five years from the completion of our offering stage; however, there is no definitive date by which we must do so. We consider our offering stage complete as of January 19, 2016. While we expect to seek a liquidity transaction in this time frame, there can be no assurance that a suitable transaction will be available or that market conditions for a transaction will be favorable during that time frame. Our board of directors has the discretion to consider a liquidity transaction at any time. A liquidity transaction could consist of a sale or partial sale or roll-off to scheduled maturity of our assets, a sale or merger of our company, a listing of our shares on a national securities exchange or a similar transaction. Some types of liquidity transactions require, after approval by our board of directors, approval of our stockholders. We do not have a stated term, as we believe setting a finite date for a possible, but uncertain future liquidity transaction may result in actions that are not necessarily in the best interest or within the expectations of our stockholders.

Business Combinations

Under the MGCL, business combinations between a Maryland corporation and an interested stockholder or the interested stockholder's affiliate are prohibited for five years after the most recent date on which the stockholder becomes an interested stockholder. For this purpose, the term "business combinations" includes mergers, consolidations, share exchanges or, in circumstances specified in the MGCL, asset transfers and issuances or reclassifications of equity securities. An "interested stockholder" is defined for this purpose as: (i) any person who beneficially owns, directly or indirectly, 10% or more of the voting power of the corporation's outstanding voting stock; or (ii) an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding stock of the corporation. A person is not an interested stockholder under the MGCL if our board of directors approved in advance the transaction by which the person otherwise would become an interested stockholder. However, in approving the transaction, our board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by our board of directors.

After the five-year prohibition, any business combination between the corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least: (i) 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation and (ii) two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares of stock held by the interested stockholder or its affiliate with whom the business combination is to be effected, or held by an affiliate or associate of the interested stockholder, voting together as a single voting group.

These super majority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under the MGCL, for their shares of common stock in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares of common stock.

None of these provisions of the MGCL will apply, however, to business combinations that are approved or exempted by our board of directors of the corporation prior to the time that the interested stockholder becomes an interested stockholder. Pursuant to the business combination statute, our board of directors has exempted any business combination involving us and any person. Consequently, the five-year prohibition and the super majority vote requirements will not apply to business combinations between us and any person. As a result, any person may be able to enter into business combinations with us that may not be in the best interest of our stockholders, without compliance with the super majority vote requirements and other provisions of the statute.

Our board of directors has adopted a resolution opting out of these provisions. Should our board of directors opt into the business combination statute in the future, it may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

Control Share Acquisitions

The MGCL provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. Shares of common stock owned by the acquirer, by officers or by employees who are directors of the corporation are not entitled to vote on the matter. "Control shares" are voting shares of stock which, if aggregated with all other shares of stock previously acquired by the acquirer or with respect to which the acquirer has the right to vote or to direct the voting of, other than solely by virtue of a revocable proxy, would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting powers:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

Control shares do not include shares of stock the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval or shares acquired directly from the corporation. Except as otherwise specified in the statute, a "control share acquisition" means the acquisition of issued and outstanding control shares. Once a person who has made or proposes to make a control share acquisition has undertaken to pay expenses and has satisfied other required conditions, the person may compel our board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares of stock. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting. If voting rights are not approved for the control shares at the meeting or if the acquiring person does not deliver an "acquiring person statement" for the control shares as required by the statute, the corporation may redeem any or all of the control shares for their fair value, except for control shares for which voting rights have previously been approved. Fair value is to be determined for this purpose without regard to the absence of voting rights for the control shares, and is to be determined as of the date of the last control share acquisition or of any meeting of stockholders at which the voting rights for control shares are considered and not approved.

If voting rights for control shares are approved at a stockholders' meeting and the acquirer becomes entitled to vote a majority of the shares of stock entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares of stock as determined for purposes of these appraisal rights may not be less than the highest price per share paid in the control share acquisition. Some of the limitations and restrictions otherwise applicable to the exercise of dissenters' rights do not apply in the context of a control share acquisition.

The control share acquisition statute does not apply to shares of stock acquired in a merger or consolidation or on a stock exchange if the corporation is a party to the transaction or to acquisitions approved or exempted by the charter or bylaws of the corporation. As permitted by the MGCL, we have provided in our bylaws that the control share provisions of the MGCL will not apply to any acquisition by any person of shares of our stock, but our board of directors retains the discretion to opt into these provisions in the future.

Advance Notice of Director Nominations and New Business

Our bylaws provide that with respect to an annual meeting of the stockholders, nomination of individuals for election to our board of directors and the proposal of business to be considered by the stockholders may be made only: (i) pursuant to our notice of the meeting; (ii) by or at the direction of our board of directors; or (iii) by any stockholder who is a stockholder of record both at the time of giving the notice required by our bylaws and at the time of the meeting, who is entitled to vote at the meeting in the election of each individual so nominated or on such other business and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of individuals for election to our board of directors at a special meeting may be made only: (i) by or at the direction of our board of directors; or (ii) provided that the special meeting has been called in accordance with our bylaws for the purpose of electing directors, by a stockholder who is a stockholder of record both at the time of giving the notice required by our bylaws and at the time of the meeting, who is entitled to vote at the meeting in the election of each individual so nominated and who has complied with the advance notice provisions of the bylaws.

Subtitle 8

Subtitle 8 of Title 3 of the MGCL ("Subtitle 8") permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in its charter or bylaws, to any or all of five provisions:

- a classified board of directors;
- a two-thirds vote requirement for removing a director;
- a requirement that the number of directors be fixed only by vote of our directors;

- a requirement that vacancies on the board of directors be filled only by the remaining directors and for the remainder of the full term of the class of directors in which the vacancy occurred; and
- a majority requirement for the calling of a stockholder-requested special meeting of stockholders.

We have elected to provide that vacancies on our board of directors be filled only by the remaining directors and for the remainder of the full term of the directorship in which the vacancy occurred. Through provisions in our charter and bylaws unrelated to Subtitle 8, we vest in our board of directors the exclusive power to fix the number of directorships provided that the number is not fewer than three. We have not elected to be subject to the other provisions of Subtitle 8.

Tender Offers

Our charter provides that any tender offer made by a person, including any "mini-tender" offer, must comply with certain notice and disclosure requirements. A tender offer is any widespread solicitation for shares of our stock at firm prices for a limited time period.

In order for a person to conduct a tender offer to one of our stockholders, our charter requires that the person comply with Regulation 14D of the Exchange Act, and provide our company notice of such tender offer at least ten business days before initiating the tender offer. Regulation 14D requires any person initiating a tender offer to provide:

- specific disclosure to stockholders focusing on the terms of the offer and information about the bidder;
- the ability to allow stockholders to withdraw tendered shares while the offer remains open;
- the right to have tendered shares accepted on a pro rata basis throughout the term of the offer if the offer is for less than all of our shares; and
- that all stockholders of the subject class of shares be treated equally.

In addition to the foregoing, there are certain ramifications to any person who attempts to conduct a noncompliant tender offer. If any person initiates a tender offer without complying with the provisions set forth above, the noncomplying offeror will be responsible for all of our expenses in connection with that person's noncompliance.

Restrictions on Roll-up Transactions

Until our shares are listed on a national securities exchange, our charter requires that we follow the policy set forth below with respect to any "roll-up transaction." In connection with any proposed transaction considered a "roll-up transaction" involving us and the issuance of securities of an entity (a "roll-up entity") that would be created or would survive after the successful completion of the roll-up transaction, an appraisal of all assets must be obtained from a competent independent appraiser. The assets must be appraised on a consistent basis, and the appraisal shall be based on the evaluation of all relevant information and shall indicate the value of the assets as of the date immediately prior to the announcement of the proposed roll-up transaction. The appraisal shall assume an orderly liquidation of the assets over a 12-month period. The terms of the engagement of the independent appraiser must clearly state that the engagement is for our benefit and our stockholders' benefit. A summary of the appraisal, indicating all material assumptions underlying the appraisal, shall be included in a report to our stockholders in connection with any proposed roll-up transaction. If the appraisal will be included in a prospectus used to offer the securities of a roll-up entity, the appraisal shall be filed with the SEC and the states as an exhibit to the registration statement for our offering.

A "roll-up transaction" is a transaction involving the acquisition, merger, conversion or consolidation, directly or indirectly, of us and the issuance of securities of a roll-up entity. This term does not include:

- a transaction involving securities that have been listed on a national securities exchange for at least 12 months; or

- a transaction involving our conversion into corporate, trust or association form if, as a consequence of the transaction, there will be no significant adverse change in any of the following: our stockholder voting rights; the term of our existence; compensation to our sponsor or advisor (if any); or our investment objectives.

In connection with a proposed roll-up transaction, the person sponsoring the roll-up transaction must offer to our common stockholders who vote "no" on the proposal a choice of:

- accepting the securities of the roll-up entity offered in the proposed roll-up transaction; or

- one of the following:

- remaining as stockholders and preserving their interests on the same terms and conditions as existed previously; or

- receiving cash in an amount equal to the stockholders' pro rata share of the appraised value of our net assets.

We are prohibited from participating in any proposed roll-up transaction:

- that would result in our common stockholders having voting rights in a roll-up entity that are less than those provided in our charter, including rights with respect to the election and removal of directors, annual and special meetings, amendment of our charter and our dissolution;

- that includes provisions that would operate to materially impede or frustrate the accumulation of shares by any purchaser of the securities of the roll-up entity, except to the minimum extent necessary to preserve the tax status of the roll-up entity, or which would limit the ability of an investor to exercise voting rights of its securities of the roll-up entity on the basis of the number of shares held by that investor;

- in which investors' right to access of records of the roll-up entity will be less than those described herein; or

- in which any of the costs of the roll-up transaction would be borne by us if the roll-up transaction is rejected by our common stockholders.

Exhibit 21.1

NORTHSTAR HEALTHCARE INCOME, INC.
List of Significant Subsidiaries

Entity Name	Formation Jurisdiction
NorthStar Healthcare Income Operating Partnership, LP	Delaware
TRS NT-HCI, LLC	Delaware
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
Domino Holdings NT-HCI LLC	Delaware
Rochester Owner Investor NT-HCI, LLC	Delaware
NHI Watermark Rochester JV Owner, LLC	Delaware

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, Kendall K. Young, 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/ KENDALL K. YOUNG

Name: Kendall K. Young

Title: *Chief Executive Officer, President and Director*

Date: March 27, 2023

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, Nicholas R. Balzo, 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/ NICHOLAS R. BALZO

Name: Nicholas R. Balzo

Title: *Chief Financial Officer, Treasurer and Secretary*

Date: March 27, 2023

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, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Kendall K. Young, 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/ KENDALL K. YOUNG
Kendall K. Young
Chief Executive Officer, President and Director
Date: March 27, 2023

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, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Nicholas R. Balzo, 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/ NICHOLAS R. BALZO

Nicholas R. Balzo

Chief Financial Officer, Treasurer and Secretary

Date: March 27, 2023

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 10.6

NORTHSTAR HEALTHCARE INCOME, INC.

FIFTH AMENDED AND RESTATED
INDEPENDENT DIRECTORS COMPENSATION PLAN

ARTICLE 1
PURPOSE

1.1. PURPOSE. The purpose of the Plan is to attract, retain and compensate highly-qualified individuals who are not employees of NorthStar Healthcare Income, Inc. or any of its subsidiaries or affiliates for service as members of the Board by providing them with competitive compensation and an ownership interest in the Stock of the Company. The Company intends that the Plan will benefit the Company and its stockholders by allowing Independent Directors to have a personal financial stake in the Company through an ownership interest in the Stock and will closely associate the interests of Independent Directors with that of the Company's stockholders.

1.2. ELIGIBILITY. Independent Directors of the Company who are Eligible Participants, as defined below, shall automatically be participants in the Plan.

ARTICLE 2
DEFINITIONS

2.1. DEFINITIONS. Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Incentive Plan. Unless the context clearly indicates otherwise, the following terms shall have the following meanings:

"Base Annual Retainer" means the annual retainer payable by the Company to an Independent Director pursuant to Section 5.1 hereof for service as a director of the Company (i.e., excluding any Supplemental Annual Retainer), as such amount may be changed from time to time.

"Compensation Committee" means the compensation committee of the Board.

"Eligible Participant" means any person who is or becomes an Independent Director while this Plan is in effect; except that during any period a director is prohibited from participating in the Plan by his or her employer or otherwise waives participation in the Plan, such director shall not be an Eligible Participant.

"Incentive Plan" means the NorthStar Healthcare Income, Inc. Amended and Restated Long Term Incentive Plan, or any subsequent equity compensation plan approved by the Board and designated as the Incentive Plan for purposes of this Plan.

"Plan" means this NorthStar Healthcare Income, Inc. Fifth Amended and Restated Independent Directors Compensation Plan, as amended from time to time.

"Plan Year(s)" means the approximate twelve-month period beginning with the annual stockholders meeting and ending at the next annual stockholders meeting.

"Share Value," on any date, means (i) if the Company is engaged in any "best efforts" public offering of the Stock prior to the date the Stock is listed on a national securities exchange or quoted on an interdealer quotation system, the offering price of the Stock; (ii) if following the termination of any such "best efforts" public offering but prior to the date the Stock is listed on a national securities exchange or quoted on an interdealer quotation system, the most recent estimated per share value of the Stock disclosed by the Company or if no estimated per share value of the Stock has been disclosed, the most recent offering price of the Stock; (iii) if the Stock is listed on a national securities exchange, the closing sales price on such exchange or over such system on such date or, in the absence of reported sales on such date, the closing sales price on the immediately preceding date on which sales were reported, or (iv) if the Stock is quoted on an interdealer quotation system but not listed on a national securities exchange, the mean between the bid and offered prices as quoted by the applicable interdealer quotation system for such date; provided that if it is determined that the fair market value is not properly reflected by such quotations, Share Value will be determined by such other method as the Compensation Committee determines in good faith to be reasonable and in compliance with Code Section 409A.

"Supplemental Annual Retainer" means the annual retainer payable by the Company to an Independent Director pursuant to Section 5.2 or Section 5.3 hereof for service as a member or the chairperson, as applicable, of the Audit Committee of the Board or the Compensation Committee, as applicable, or pursuant to Section 5.4 for service as a non-executive chairperson of the Board, as such amount may be changed from time to time.

ARTICLE 3
ADMINISTRATION

3.1. ADMINISTRATION. The Plan shall be administered by the Compensation Committee. Subject to the provisions of the Plan, the Compensation Committee shall be authorized to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, and to make all other determinations necessary or advisable for the administration of the Plan. The Compensation Committee's interpretation of the Plan, and all actions taken and determinations made by the Compensation Committee pursuant to the powers vested in it hereunder, shall be conclusive and binding upon all parties concerned, including the Company, its stockholders and persons granted awards under the Plan. The Compensation Committee may appoint a plan administrator to carry out the ministerial functions of the Plan, but the administrator shall have no other authority or powers of the Compensation Committee.

3.2. RELIANCE. In administering the Plan, the Compensation Committee may rely upon any information furnished by the Company, its public accountants and other experts. No individual will have personal liability by reason of anything done or omitted to be done by the Company or the Compensation Committee in connection with the Plan. This limitation of liability shall not be exclusive of any other limitation of liability to which any such person may be entitled under the Company's certificate of incorporation or otherwise.

ARTICLE 4
SHARES

4.1. SOURCE OF SHARES FOR THE PLAN. The shares of Stock that may be issued pursuant to the Plan shall be issued under the Incentive Plan, subject to all of the terms and conditions of the Incentive Plan. The terms contained in the Incentive Plan are incorporated into and made a part of this Plan with respect to shares of Stock, Restricted Stock Units and any other equity granted pursuant hereto and any such grant shall be governed by and construed in accordance with the Incentive Plan. In the event of any actual or alleged conflict between the provisions of the Incentive Plan and the provisions of this Plan, the provisions of the Incentive Plan shall be controlling and determinative. This Plan does not constitute a separate source of shares for the grant of Restricted Stock Units or shares of Stock described herein.

ARTICLE 5
RETAINERS AND EXPENSES

5.1. BASE ANNUAL RETAINER. Each Eligible Participant shall be paid a Base Annual Retainer for service as a director during each Plan Year, payable in such form as shall be elected by the Eligible Participant in accordance with Section 6.1. The amount of the Base Annual Retainer shall be established from time to time by the Compensation Committee. Until changed by the Compensation Committee, the Base Annual Retainer for a full Plan Year shall be $115,000. The Base Annual Retainer shall be payable in approximately equal quarterly installments in arrears. Each person who first becomes an Eligible Participant on a date other than an annual meeting date shall be paid a retainer equal to the quarterly installment of the Base Annual Retainer for the first quarter of eligibility, based on the number of full months he or she serves as an Independent Director during such quarter. In no event shall any installment of the Base Annual Retainer be paid later than March 15 of the year following the year to which such installment relates.

5.2. AUDIT COMMITTEE SUPPLEMENTAL ANNUAL RETAINER. Each member of the Audit Committee of the Board shall be paid a Supplemental Annual Retainer for his or her service as a member or the chairperson, as applicable, of the Audit Committee of the Board during a Plan Year, payable at the same times as installments of the Base Annual Retainer are paid and in such form as shall be elected by such member or the chairperson, as applicable, in accordance with Section 6.1. The amount of the Supplemental Annual Retainer for each member and the chairperson of the Audit Committee shall be established from time to time by the Compensation Committee. Until changed by the Compensation Committee, the Supplemental Annual Retainer for a full Plan Year for each member of the Audit Committee that is not the chairperson shall be $15,000 and for the chairperson of the Audit Committee shall be $30,000. A pro rata Supplemental Annual Retainer will be paid to any Eligible Participant who becomes a member or the chairperson, as applicable, of the Audit Committee of the Board on a date other than the beginning of a Plan Year, based on the number of full months he or she serves as a member or the chairperson, as applicable, of the Audit Committee of the Board during the Plan Year. In no event shall any installment of the Supplemental Annual Retainer be paid later than March 15 following the year to which such installment relates.

5.3. COMPENSATION COMMITTEE SUPPLEMENTAL ANNUAL RETAINER. Each member of the Compensation Committee shall be paid a Supplemental Annual Retainer for his or her service as a member or the chairperson, as applicable, of the Compensation Committee during a Plan Year, payable at the same times as installments of the Base Annual Retainer are paid and in such form as shall be elected by such member or the chairperson, as applicable, in accordance with Section 6.1. The amount of the Supplemental Annual Retainer for each member and the chairperson of the Compensation Committee shall be established from time to time by the Compensation Committee. Until changed by the Compensation Committee, the Supplemental Annual Retainer for a full Plan Year for each member of the Compensation Committee that is not the chairperson shall be $7,500 and for the chairperson of the Compensation Committee shall be $10,000. A pro rata Supplemental Annual Retainer will be paid to any Eligible Participant who becomes a member or the chairperson, as applicable, of the Compensation Committee on a date other than the beginning of a Plan Year, based on the number of full months he or she serves as a member or the chairperson, as applicable, of the Compensation Committee during the Plan Year. In no event shall any installment of the Supplemental Annual Retainer be paid later than March 15 following the year to which such installment relates.

5.4. NON-EXECUTIVE CHAIRPERSON SUPPLEMENTAL ANNUAL RETAINER. If appointed by the Board, the non-executive chairperson of the Board shall be paid a Supplemental Annual Retainer for his or her service as the non-executive chairperson of the Board during a Plan Year, payable at the same times as installments of the Base Annual Retainer are paid and in such form as shall be elected by such non-executive chairperson in accordance with Section 6.1. The amount of the Supplemental Annual Retainer for the non-executive chairperson of the Board shall be established from time to time by the Compensation Committee. Until changed by the Compensation Committee, the Supplemental Annual Retainer for a full Plan Year for the non-executive chairperson of the Board shall be $75,000. A pro rata Supplemental Annual Retainer will be paid to any Eligible Participant who becomes the non-executive chairperson of the Board on a date other than the beginning of a Plan Year, based on the number of full months he or she serves as the non-executive chairperson of the Board during the Plan Year. In no event shall any installment of the Supplemental Annual Retainer be paid later than March 15 following the year to which such installment relates.

5.5. TRAVEL EXPENSE REIMBURSEMENT. All Eligible Participants shall be reimbursed for reasonable travel expenses in connection with attendance at meetings of the Board and its committees, or other Company functions at which the Chief Executive Officer or Chair of the Board requests the Independent Director to participate. Notwithstanding the foregoing, the Company's reimbursement obligations pursuant to this Section 5.5 shall be limited to expenses incurred during such director's service as an Independent Director. Such payments will be made within 30 days after delivery of the Independent Director's written requests for payment, accompanied by such evidence of expenses incurred as the Company may reasonably require, but in no event later than the last day of the Independent Director's tax year following the tax year in which the expense was incurred. The amount reimbursable in any one tax year shall not affect the amount reimbursable in any other tax year. Independent Directors' right to reimbursement pursuant to this Section 5.5 shall not be subject to liquidation or exchange for another benefit.

ARTICLE 6
ALTERNATIVE FORM OF PAYMENT FOR BASE ANNUAL RETAINER AND SUPPLEMENTAL ANNUAL RETAINER

6.1. PAYMENT OF BASE ANNUAL RETAINER AND SUPPLEMENTAL ANNUAL RETAINER. At the election of each Eligible Participant, in accordance with Section 6.2, the
Base Annual Retainer or the Supplemental Annual Retainer for a given Plan Year shall be either: (i) payable in cash in approximately equal quarterly installments in arrears, with the first quarter of the Plan Year beginning on the date of the annual stockholders meeting; or (ii) subject to share availability under the Incentive Plan, payable by a grant on the day an installment of the Base Annual Retainer or Supplemental Annual Retainer is normally paid (the "Stock Grant Date") of that number of shares of Stock (rounded up to the nearest whole share) determined by dividing the Base Annual Retainer or Supplemental Annual Retainer installment otherwise payable by the Share Value as of the Stock Grant Date. Any shares of Stock granted under the Plan as the Base Annual Retainer or Supplemental Annual Retainer under clause (ii) above will be 100% vested and nonforfeitable as of the Stock Grant Date, and the Eligible Participant receiving such shares of Stock (or his or her custodian, if any) will have immediate rights of ownership in the shares of Stock, including the right to vote the shares of Stock and the right to receive dividends or other distributions thereon.

6.2. TIMING AND MANNER OF PAYMENT ELECTION. Each Eligible Participant shall elect the form of payment desired for his or her Base Annual Retainer and Supplemental Annual Retainer (if applicable) for a Plan Year by delivering a valid election form in such form as the Compensation Committee or the plan administrator shall prescribe (the "Election Form") to the Compensation Committee or the plan administrator prior to the beginning of such Plan Year, which will be effective as of the first day of the Plan Year beginning after the Compensation Committee or the plan administrator receives the Eligible Participant's Election Form. The Election Form signed by the Eligible Participant prior to the Plan Year will be irrevocable for the coming Plan Year. However, prior to the commencement of the following Plan Year, an Eligible Participant may change his or her election for future Plan Years by executing and delivering a new Election Form indicating different choices. If an Eligible Participant fails to deliver a new Election Form prior to the commencement of the new Plan Year, his or her Election Form in effect during the previous Plan Year shall continue in effect during the new Plan Year. If no Election Form is filed or effective, or if there are insufficient shares of Stock in the Incentive Plan, the Base Annual Retainer and Supplemental Annual Retainer (if applicable) will be paid in cash.

ARTICLE 7
EQUITY COMPENSATION

7.1. INITIAL RESTRICTED STOCK UNIT GRANT. Subject to share availability under the Incentive Plan and the terms of this Section 7.1, on the first date that an Independent Director is initially elected or appointed to the Board, he or she shall receive an award of Restricted Stock Units (the "Initial Stock Grant") in an amount established from time to time by the Compensation Committee. Until changed by the Compensation Committee, the Initial Stock

Grant shall have a value of $65,000, with the number of Restricted Stock Units granted determined by dividing the amount of the Initial Stock Grant by the Share Value as of the grant date. Such Restricted Stock Units shall be subject to the terms and restrictions described below in Section 7.3 and shall be in addition to any otherwise applicable annual grant of Restricted Stock Units granted to such Independent Director under Section 7.2.

7.2. SUBSEQUENT RESTRICTED STOCK UNIT GRANT. Subject to share availability under the Incentive Plan and the terms of this Section 7.2, on the date following an Independent Director's subsequent re-election to the Board, such director shall receive a subsequent grant of Restricted Stock Units (the "Subsequent Stock Grant") in an amount established from time to time by the Compensation Committee. Until changed by the Compensation Committee, the Subsequent Stock Grant shall have a value of $85,000, with the number of Restricted Stock Units granted determined by dividing the amount of the Subsequent Stock Grant by the Share Value as of the grant date. Such Restricted Stock Units shall be subject to the terms and restrictions described below in Section 7.3. Notwithstanding anything herein to the contrary, no Restricted Stock Units shall be granted pursuant to this Section 7.2 on a given date if, as a result of such grant, the total number of Shares subject to outstanding Awards (as defined in the Incentive Plan) granted under the Incentive Plan as of such date would exceed five percent (5%) of the number of Shares outstanding as of such date. In such event, the grant of such Restricted Stock Units shall be delayed until such time as the grant would not violate the provisions of this Section 7.2 (the "Delayed Grant Date"). The grant of the delayed Restricted Stock Units shall be subject to the approval of the Compensation Committee and shall be limited to Independent Directors who (a) otherwise would have received a grant on the original date under this Section 7.2, and (b) remain Independent Directors as of the Delayed Grant Date. For all purposes, the grant date of the delayed Restricted Stock Units shall be the Delayed Grant Date and not the original date provided in this Section 7.2.

7.3. TERMS AND CONDITIONS OF RESTRICTED STOCK UNITS. Restricted Stock Units shall be evidenced by a written Award Certificate, and shall be subject to such terms and conditions (including vesting conditions) as determined by the Compensation Committee, and shall be granted under and pursuant to the terms of the Incentive Plan. Unless and until provided otherwise by the Compensation Committee, the Restricted Stock Units granted pursuant to Section 7.1 and Section 7.2 herein shall vest and become non-forfeitable over two (2) years in equal quarterly installments beginning on the first day of the first quarter following the Restricted Stock Unit grant date. Notwithstanding the foregoing vesting schedule, the Restricted Stock Units shall become fully vested on the earlier occurrence of: (i) the termination of the Independent Director's service as a director of the Company due to his or her death or Disability; or (ii) a Change in Control of the Company. If the Independent Director's service as a director of the Company terminates other than as described in clause (i) of the foregoing sentence, then the Independent Director shall forfeit all of his or her right, title and interest in and to any unvested Restricted Stock Units as of the date of such termination from the Board and such Restricted Stock Units shall be reconveyed to the Company without further consideration or any act or action by the Independent Director. Unless and until provided otherwise by the Compensation Committee, the Shares underlying vested Restricted Stock Units shall be delivered to the Independent Director on the earlier to occur of (i) a Change in Control, or (ii) the date that the Independent Director's service as a director of the Company terminates, provided that the

Change in Control or termination of service as a director of the Company, as the case may be, meets any description or definition of "change in control event" or "separation from service", as the case may be, in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition).

ARTICLE 8
AMENDMENT, MODIFICATION AND TERMINATION

8.1. AMENDMENT, MODIFICATION AND TERMINATION. The Compensation Committee may, at any time and from time to time, amend, modify or terminate the Plan without stockholder approval; provided, however, that if an amendment to the Plan would, in the reasonable opinion of the Compensation Committee, require stockholder approval under applicable laws, policies or regulations or the applicable listing or other requirements of a securities exchange on which the Stock is listed or traded, then such amendment shall be subject to stockholder approval; and provided, further, that the Compensation Committee may condition any other amendment or modification on the approval of stockholders of the Company for any reason.

ARTICLE 9
GENERAL PROVISIONS

9.1. ADJUSTMENTS. The adjustment provisions of the Incentive Plan shall apply with respect to Restricted Stock Units or other equity awards outstanding or to be granted pursuant to this Plan.

9.2. DURATION OF THE PLAN. The Plan shall remain in effect until terminated by the Compensation Committee.

9.3. EXPENSES OF THE PLAN. The expenses of administering the Plan shall be borne by the Company.

9.4. EFFECTIVE DATE. The Plan was originally adopted by the Board on June 22, 2011, effective as of that date. The Plan was amended and restated by the Board on February 4, 2013, effective as of such date, on March 3, 2015, effective as of January 1, 2015, on March 15, 2017, effective as of January 1, 2017, on April 9, 2019, effective as of January 1, 2019, on April 13, 2021, effective as of January 1, 2021, and on January 25, 2023, effective January 1, 2023.

The foregoing is hereby acknowledged as being the NorthStar Healthcare Income, Inc. Fifth Amended and Restated Independent Directors Compensation Plan as adopted by the Compensation Committee.

NORTHSTAR HEALTHCARE INCOME, INC.

By: /s/ NICHOLAS R. BALZO
Name: Nicholas R. Balzo
Title: *Chief Financial Officer, Treasurer and Secretary*

Exhibit 10.15

FIRST AMENDMENT TO TRANSITION SERVICES AGREEMENT

This FIRST AMENDMENT TO TRANSITION SERVICES AGREEMENT (this "Amendment") is entered into as of March 22, 2023 (the "Effective Date"), by and between NorthStar Healthcare Income, Inc., a Maryland corporation ("NHI"), NorthStar Healthcare Income Operating Partnership, LP, a Delaware limited partnership ("NHI OP" and together with NHI, the "NHI Parties"), and CNI NSHC Advisors, LLC, a Delaware limited liability company ("Advisor").

WHEREAS, the NHI Parties and the Advisor are party to that certain Transition Services Agreement, dated as of October 20, 2022 (as amended, restated, supplemented or otherwise modified from time to time, the "TSA").

WHEREAS, the Parties desire to amend the TSA and make certain other agreements, in each case on the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained and intending to be legally bound hereby, the Parties agree as follows:

1. Defined Terms. Each capitalized term used herein and not defined herein shall have the meaning ascribed to such term in the TSA.

2. Amendments to the TSA.

(a) Section 4.1.1 of the TSA is hereby deleted and replaced in its entirety with the following:

The fees with respect to each Scheduled Service shall be the actual cost of such Scheduled Service (without markup) to the Service Provider in providing such Scheduled Service, which cost shall represent the pro rata fully loaded costs of Service Provider's employees or other personnel who are providing the service, to be calculated based on time recorded by such employees or other personnel and in a manner reasonably consistent with the methodology set forth in the NorthStar Healthcare Income, Inc. 2021 Expense Allocation Report (November 2021) attached as Exhibit A to this Agreement; provided, that in the case of Scheduled Services for information technology, treasury and accounts payable, those costs will be directly attributable using timesheets; **provided, further, that (i) in the case of Scheduled Services for legal, the costs will be allocated in accordance with Exhibit B, and (ii) in the case of Scheduled Services for Treasury and Accounts Payable, beginning March 1, 2023, fifty percent (50%) the fully loaded costs of the individuals listed on Schedule 3 shall be paid by Service Recipient** ("Service Fees"). The Service Provider shall issue quarterly invoices for each fiscal quarter to the applicable Service Recipient ("Invoices"), which shall set forth in reasonable detail the Service Fees and Third Party Service Expenses (as defined in Section 4.1.4) with respect to the Scheduled Services provided during the preceding fiscal quarter. All payments pursuant to this Agreement shall be made by the Service Recipient to the Service Provider within thirty (30) days after the date of the Service Recipient's receipt of an Invoice.

(b) Schedule 1 to the TSA is hereby deleted and replaced in its entirety with Schedule 1 attached hereto, with the changes to the original Schedule 1 showing in **bold face font**.

3. Non-Solicitation. In consideration of the amendments to the TSA contained herein, the Advisor hereby agrees that (a) the restrictions set forth in Article 17 of the Advisory Agreement, solely as they relate to the individuals listed on Schedule 4, shall be null and void and shall have no further force or effect and (b) it shall not, and shall cause its affiliates not to, enforce the restrictions set forth in Article 17 of the Advisory Agreement, solely as they relate to the individuals listed on Schedule 4, against any of the NHI Parties or their respective affiliates.

4. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of Delaware as to all matters, including matters of validity, construction, effect, performance and remedies, except for any conflicts of law principles that would result in the application of the laws of any other jurisdiction.

5. Counterparts. This Amendment may be executed in counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by facsimile, e-mail, .PDF file format, DocuSign or other electronic form shall be as effective as delivery of a manually executed counterpart of this Amendment.

6. Continued Effect. Except as specifically set forth herein, all other terms and conditions of the TSA shall remain unmodified and in full force and effect, the same being confirmed and republished hereby. In the event of any conflict between the terms of the TSA and the terms of this Amendment, the terms of this Amendment shall control.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed as of the Effective Date by their respective duly authorized officers.

NHI:

NORTHSTAR HEALTHCARE INCOME, INC.

By: /s/ Kendall K. Young
Name: Kendall K. Young
Title: Chief Executive Officer & President

NHI OP:

NORTHSTAR HEALTHCARE INCOME OPERATING PARTNERSHIP, LP

By: NorthStar Healthcare Income, Inc.
Its: General Partner

By: /s/ Kendall K. Young
Name: Kendall K. Young
Title: Chief Executive Officer & President

ADVISOR:

CNI NSHC ADVISORS, LLC

By: /s/ Paul Varisano
Name: Paul Varisano
Title: Authorized Signatory

Exhibit 99.1

Trilogy REIT Holdings, LLC

Consolidated Financial Statements
As of December 31, 2022 and 2021 (Unaudited) and
For the Years Ended
December 31, 2022, 2021 (Unaudited) and 2020 (Unaudited)
and Independent Auditor’s Report

Trilogy REIT Holdings, LLC

Consolidated Financial Statements

December 31, 2022, 2021 (Unaudited) and 2020 (Unaudited)

Contents

The following financial statement schedule for the year ended December 31, 2022 is submitted herewith:

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the members and the Board of Directors of Trilogy REIT Holdings, LLC

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Trilogy REIT Holdings, LLC and subsidiaries (the "Company") as of December 31, 2022, the related consolidated statements of operations, members' equity and cash flows, for the year ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

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 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the 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.

Other Matter

The accompanying consolidated balance sheet of Trilogy REIT Holdings, LLC as of December 31, 2021 and the related consolidated statements of operations, members' equity and cash flows for the years ended December 31, 2021 and 2020 were not audited, reviewed, or compiled by us, and, accordingly, we do not express an opinion or any other form of assurance on them.

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 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.

Property and Equipment - Determination of Impairment Indicators– Refer to Note 2 and Note 5 to the consolidated financial statements

Critical Audit Matter Description

The Company's evaluation of property and equipment, primarily consisting of real estate assets, for impairment involves an initial assessment of each property to determine whether events or changes in circumstances exist that may indicate that the carrying amounts of real estate assets are no longer recoverable. When events or changes in circumstances exist, the Company evaluates its real estate assets for impairment by comparing undiscounted future cash flows expected to be generated over the life of each asset to the respective carrying amount. If the carrying amount of an asset exceeds the undiscounted future cash flows, an analysis is performed to determine the fair value of the asset.

The Company makes significant assumptions to evaluate real estate assets for possible indications of impairment, including market conditions and the Company's intentions with respect to holding or disposing of the asset. Changes in these assumptions could have a significant impact on the real estate assets identified for further analysis. For the year ended December 31, 2022, no impairment loss has been recognized on property and equipment.

We identified the determination of impairment indicators for property and equipment as a critical audit matter because of the significant assumptions management makes when determining whether events or changes in circumstances have occurred indicating that the carrying amounts of property and equipment may not be recoverable. This required a high degree of auditor judgment when performing audit procedures to evaluate whether management appropriately identified impairment indicators.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the evaluation of property and equipment for possible indications of impairment included the following, among others:

- We obtained an understanding of management's process to identify indicators of impairment.
- We evaluated management's property by property analysis by testing property and equipment for possible indicators of impairment, including searching for adverse asset-specific and/or market conditions, as well as assessing the properties' holding periods, including expected asset dispositions.

/s/ Deloitte & Touche LLP

Louisville, Kentucky
February 28, 2023

We have served as the Company's auditor since 2022.

Trilogy REIT Holdings, LLC
Consolidated Balance Sheets
(Amounts in Thousands)
As of December 31, 2022 and 2021 (Unaudited)

	December 31,	
	2022	**2021 (Unaudited)**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 28,876	$ 29,733
Resident cash	899	1,082
Accounts and other receivables, net	121,699	114,643
Inventories	8,135	7,747
Prepaid expenses	10,747	9,304
Insurance receivable	2,282	2,466
Other current assets	11,653	10,086
Total current assets	184,291	175,061
Property and equipment, net	1,361,775	1,271,307
Other assets:		
Goodwill	120,300	75,309
Intangible assets, net	136,163	133,261
Right of use assets	247,382	127,848
Deferred financing costs on lines of credit, net	1,358	2,958
Restricted cash	40,992	39,055
Deposits and other assets	4,847	3,729
Investment in joint ventures	9,580	15,615
Long-term insurance receivable	2,665	2,741
Total other assets	563,287	400,516
Total assets	2,109,353	1,846,884
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Current liabilities:		
Accounts payable	35,275	33,652
Accrued salaries and payroll	34,265	26,418
Accrued expenses and other current liabilities	21,667	16,161
Property taxes payable	15,109	11,871
Current reserves	15,132	14,657
Resident funds liability	899	1,082
Deferred revenue	16,186	25,541
Current lease liabilities	22,572	8,524
Current portion of lines of credit	316,734	-
Current portion of long-term debt	125,859	12,074
Current portion of finance leases and financing obligations	2,533	13,627
Total current liabilities	606,231	163,607

Long-term liabilities:		
Long-term debt, less current portion, net	692,912	699,428
Lines of credit	-	304,734
Lease liabilities, less current portion	232,246	117,750
Finance leases and financing obligations, less current portion	19,973	20,026
Long-term reserves and other liabilities	31,689	21,922
Total long-term liabilities	976,820	1,163,860
Total liabilities	1,583,051	1,327,467
Commitments and contingencies		
Redeemable noncontrolling interests	54,118	43,356
Equity:		
Common unit, 777,634 units issued and outstanding	636,679	688,864
Retained deficit	(164,620)	(212,928)
Total members' equity	472,059	475,936
Noncontrolling interests	125	125
Total equity	472,184	476,061
Total liabilities, redeemable noncontrolling interests and equity	$ 2,109,353	$ 1,846,884

See accompanying notes to consolidated financial statements.

Trilogy REIT Holdings, LLC
Consolidated Statements of Operations
(Amounts in Thousands)
For the Years Ended December 31, 2022, 2021 (Unaudited) and 2020 (Unaudited)

	Years Ended December 31,		
	2022	2021 (Unaudited)	2020 (Unaudited)
Revenues:			
Resident fees and services	$ 1,073,788	$ 865,502	$ 821,420
Product revenue	153,567	129,845	134,256
Grant income	24,820	13,909	53,855
Total revenues	1,252,175	1,009,256	1,009,531
Operating expenses:			
Cost of services	968,356	790,449	774,114
Cost of products sold	139,401	122,994	128,898
Depreciation and amortization	65,393	55,729	49,773
General and administrative	429	9,449	(1,625)
Total operating expenses	1,173,579	978,621	951,160
Income from operations	78,596	30,635	58,371
Nonoperating expenses:			
Other (income) expense, net	(21,903)	2,593	1,448
Interest expense, net	51,648	39,123	36,347
Loss (gain) from unconsolidated entities	(1,407)	1,355	4,517
Total nonoperating expenses	28,338	43,071	42,312
(Loss) income before income taxes	50,258	(12,436)	16,059
Income tax expense (benefit)	-	-	(3,329)
Net (loss) income	50,258	(12,436)	19,388
Less: net loss (income) attributable to noncontrolling interests	(1,950)	466	(671)
Net (loss) income attributable to controlling interest	$ 48,308	$ (11,970)	$ 18,717

See accompanying notes to consolidated financial statements.

Trilogy REIT Holdings, LLC
Consolidated Statements of Members' Equity
(Amounts in Thousands) (except common unit amounts)
For the Years Ended December 31, 2022, 2021 (Unaudited) and 2020 (Unaudited)

	Members' Equity					
	Common Units		Retained Earnings (Deficit)	Total Members' Equity	Noncontrolling Interests	Total Equity
	Shares	Amount				
Balance as of January 1, 2020	777,634	$ 720,110	$ (219,676)	$ 500,434	$ 7,966	$ 508,400
Distributions	-	(16,500)	-	(16,500)	-	(16,500)
Stock based compensation	-	-	-	-	(1,203)	(1,203)
Distributions to noncontrolling interests	-	-	-	-	(16)	(16)
Reclassification of noncontrolling interests to mezzanine equity	-	-	-	-	(715)	(715)
Adjustment to value of redeemable noncontrolling interests	-	3,714	-	3,714	-	3,714
Net income(1)	-	-	18,718	18,718	16	18,734
Balance as of December 31, 2020(2)	777,634	707,324	(200,958)	506,366	6,048	512,414
Distributions	-	(19,326)	-	(19,326)	-	(19,326)
Distributions to noncontrolling interests	-	-	-	-	(16)	(16)
Reclassification of noncontrolling interests to mezzanine equity	-	-	-	-	(5,923)	(5,923)
Adjustment to value of redeemable noncontrolling interests	-	866	-	866	-	866
Net loss(1)	-	-	(11,970)	(11,970)	16	(11,954)
Balance as of December 31, 2021(2)	777,634	688,864	(212,928)	475,936	125	476,061
Distributions	-	(38,058)	-	(38,058)	-	(38,058)
Distributions to noncontrolling interests	-	-	-	-	(16)	(16)
Adjustment to value of redeemable noncontrolling interests	-	(14,127)	-	(14,127)	-	(14,127)
Net income(1)	-	-	48,308	48,308	16	48,324
Balance as of December 31, 2022	777,634	$ 636,679	$ (164,620)	$ 472,059	$ 125	$ 472,184

(1) For the years ended December 31, 2022, 2021 and 2020, amounts exclude $2 million, $(0.5) million and $0.7 million, respectively, of net income (loss) attributable to redeemable noncontrolling interests. See Note 10, Redeemable Noncontrolling Interests, for a further discussion.
(2) The Statements of Members' Equity for the years ended December 31, 2021 and 2020 are unaudited.

See accompanying notes to consolidated financial statements.

Trilogy REIT Holdings, LLC
Consolidated Statements of Cash Flows
(Amounts in Thousands)
For the Years Ended December 31, 2022, 2021 (Unaudited) and 2020 (Unaudited)

	Years Ended December 31,		
	2022	**2021 (Unaudited)**	**2020 (Unaudited)**
Cash flows from operating activities:			
Net (loss) income	$ 50,258	$ (12,436)	$ 19,388
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	65,393	55,729	49,774
Amortization of deferred financing costs and discount on mortgage loans	3,750	3,232	2,651
Bad debt expense	1,179	2,045	1,920
Loss from unconsolidated entities	(1,407)	1,355	4,517
Non-cash lease expense	2,472	2,503	3,929
Stock compensation expense	83	8,801	(1,342)
Impairment of real estate investments	-	-	2,719
Loss on HUD Debt Extinguishment	1,552	2,284	-
Loss (gain) on sale of assets and other	(23,907)	2,033	(1,977)
Deferred tax benefit	-	-	(3,329)
Changes in operating assets and liabilities:			
Accounts and other receivables, net	10,167	(532)	15,483
Prepaid expenses	(1,478)	(1,533)	447
Other current and long-term assets	(13,668)	5,811	(2,980)
Property taxes payable	3,238	1,206	950
Accounts payable and accrued expenses	(7,892)	(19,829)	(6,909)
Accrued salaries and payroll	4,429	(18,176)	21,798
Deferred revenue and other liabilities	(4,238)	(35,724)	50,184
Net cash provided by (used in) operating activities	89,931	(3,231)	157,223

	Years Ended December 31,		
	2022	**2021 (Unaudited)**	**2020 (Unaudited)**
Cash flows from investing activities:			
Acquisition of property and equipment	(43,050)	(62,962)	(99,996)
Contribution to joint ventures	(4,856)	(650)	-
Asset and business acquisition	(89,189)	(77,194)	(27,591)
Net proceeds from sale of assets	32,294	829	9,399
Issuance of note receivable net of related interest received of ($75)	(2,925)	-	-
Acquisition of intangible assets and other assets	(269)	(2,315)	(2,706)
Net cash provided by (used) in investing activities	(107,995)	(142,292)	(120,894)
Cash flows from financing activities:			
Payments on lines of credit	(72,000)	(23,000)	(38,500)
Borrowings from lines of credit	84,000	40,600	66,755
Borrowings from construction loan	3,455	42,586	43,127
Borrowings from term loan	116,576	78,587	49,272

Borrowings from financing obligations	1,302	1,273	3,526
Payments on long-term debt	(54,518)	(10,827)	(70,548)
Payments on capital leases and financing obligations	(13,818)	(11,535)	(5,475)
Distributions and redemptions	(38,058)	(19,326)	(16,500)
Distributions to noncontrolling interests	(16)	(16)	(16)
Distributions to redeemable noncontrolling interests	(1,675)	(1,293)	(1,271)
Repurchase of redeemable noncontrolling interests and stock warrants	(4,493)	(8,878)	(150)
Payments for deferred financing costs and other	(1,611)	(1,644)	(3,406)
Net cash provided by financing activities	19,144	86,527	26,814
Net change in cash, cash equivalents, and restricted cash	1,080	(58,996)	63,143
Cash, cash equivalents, and restricted cash at beginning of period	68,788	127,784	64,641
Cash, cash equivalents, and restricted cash at end of period	$ 69,868	$ 68,788	$ 127,784

	Years Ended December 31,		
	2022	**2021 (Unaudited)**	**2020 (Unaudited)**
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest (including interest on capital leases)	$ 45,047	$ 35,688	$ 34,144
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	25,965	18,950	23,319
Operating cash flows from finance leases	14	384	609
Financing cash flows from finance leases	54	171	1,235
Non-cash financing and investing activities:			
Equipment acquired through financing obligations	1,302	1,273	65
Property acquired through financing obligations	-	15,490	-
Accrued capital expenditures	4,684	7,936	17,239
Leased assets obtained in exchange for new operating lease liabilities	20,056	14,026	12,603
Issuance of noncontrolling interests for settlement of profit interests	-	7,867	-
Trilogy common stock forfeiture	-	(200)	-
Reclassification of noncontrolling interests to mezzanine equity	-	5,923	715
Note receivable as component of purchase consideration	14,116	-	-

See accompanying notes to consolidated financial statements.

1. Organization and Description of Business

The consolidated financial statements include the accounts of Trilogy REIT Holdings, LLC ("Trilogy Holdings" or "Company") and its consolidated subsidiaries, including Trilogy Real Estate Investment Trust ("Trilogy REIT") and Trilogy Investors, LLC and subsidiaries listed below ("Trilogy Investors"). The Company was formed as a Delaware limited liability company on August 26, 2015. On September 11, 2015, the Company's investors (each a "Member") entered into the Limited Liability Company Agreement ("Prior LLC Agreement") dated September 11, 2015 to set forth their respective rights and obligations as members of the Company. On October 1, 2018, the Prior LLC Agreement was amended ("Amended and Restated LLC Agreement").

On December 1, 2015, the Company acquired approximately 97% of Trilogy Investors and its wholly-owned subsidiaries ("Trilogy Acquisition"). Trilogy Investors wholly-owned subsidiaries include Trilogy Property Holdings, LLC ("PropCo"), Trilogy RER, LLC ("RER") and Trilogy Healthcare Holdings, Inc. ("OpCo"). PropCo consists of PropCo II, LLC and PropCo Finance, LLC; these entities lease or own real estate. RER consists of Trilogy RER, LLC and Trilogy Real Estate, LLC. RER leases or owns real estate. OpCo consists of Trilogy OpCo, LLC, which operates the healthcare companies, and PRO Services, LLC, which consists of the Company's ancillary services: Trilogy PCA Holdings, LLC ("PCA"), Synchrony Pharmacy, LLC ("Synchrony") and Trilogy Rehab Services, LLC ("Rehab"). PCA and Synchrony are pharmaceutical companies and Rehab provides rehabilitation services. The Company also includes the variable interest entities ("VIEs") for which the Company is the primary beneficiary. The Company conducts substantially all of its operations through Trilogy Investors and its subsidiaries.

The Members of the Company are Griffin-American Healthcare REIT III, Inc. ("GAHR III") and NorthStar Healthcare Income, Inc. ("NorthStar"), with ownership percentages of approximately 70% and 30%, respectively. On October 1, 2018, NorthStar and Griffin-American Healthcare REIT IV, Inc. ("GAHR IV"), entered into a membership purchase agreement, pursuant to which GAHR IV acquired from NorthStar six percent of all issued and outstanding membership interest of Trilogy Holdings. On October 1, 2021 GAHR IV acquired GAHR III. As of December 31, 2022, Trilogy Holdings is owned by GAHR IV and NorthStar, with ownership percentages of approximately 76% and 24% respectively.

The Company was a significant equity method investee of NorthStar for the year ended December 31, 2022 as determined under Rule 1-02(w) of Regulation S-X. As a result, the accompanying consolidated financial statements were prepared and audited for purposes of NorthStar's reporting requirements of its significant equity method investees under Rule 3-09 of Regulation S-X. The Company was determined not to be a significant equity method investee of NorthStar under Rule 1-02(w) of Regulation S-X for the years ended December 31, 2021 and 2020. As a result, the accompanying consolidated financial statements as of and for the years ended December 31, 2021 and 2020 are unaudited.

The Company owns, leases, and operates 120 health care campuses comprised of approximately 7,725 long-term care beds, 5,068 assisted living beds and 1,149 independent living units in the states of Indiana, Kentucky, Ohio and Michigan. The Company shares a 40% interest in a joint venture that operates two health care campuses with 125 assisted living beds and two independent living units in the states of Kentucky and Ohio. In addition, the Company has a 32% interest in a joint venture with one health care campus operating in Ohio consisting of 50 long term care beds, 41 assisted living beds, 24 independent living units and five non-operating development campuses. The Company also shares a 50% interest in one joint venture that distributes pharmaceutical supplies located in the state of Iowa.

2. Summary of Significant Accounting Policies

The summary of significant accounting policies presented below is designed to assist in understanding the Company's consolidated financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America ("GAAP") in all material respects and have been consistently applied in preparing the accompanying consolidated financial statements. All significant intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements include the Company's accounts, the wholly-owned subsidiaries and all non-wholly owned subsidiaries in which the Company has control, as well as any VIEs, in which the Company is the primary beneficiary. The portion of equity in any subsidiary that is not wholly owned by the Company is presented in the accompanying consolidated financial statements as a noncontrolling interest. The Company evaluates its ability to control an entity, and whether the entity is a VIE and of which the Company is the primary beneficiary, by considering substantive terms of the arrangement and identifying which enterprise has the power to direct the activities of the entity that most significantly impacts the entity's economic performance as defined in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), Topic 810, *Consolidation*, or ASC Topic 810.

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. It is reasonably possible that actual results could differ from those estimates.

Revenue Recognition

The Company's principal business is operating and managing long-term health care campuses, including the provision of routine and ancillary services.

The Company's revenue is derived primarily from providing long-term healthcare services to residents and is recognized on the date services are provided at amounts billable to individual residents. For residents under reimbursement arrangements with third-party payors, including Medicaid, Medicare and private insurers, revenue is recorded based on contractually agreed-upon amounts or rate on a per patient, daily basis or as services are performed.

A significant portion of resident fees and services revenue and product revenue represents healthcare services revenue that is reported at the amount that reflects the consideration to which the Company expects to be entitled to in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), other healthcare facilities, and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Company bills the patients, third-party payors and other healthcare facilities several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Company. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. This method provides a depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the integrated senior health campuses receiving long-term healthcare services, including rehabilitation services. The Company measures the performance obligation from admission into the integrated senior health campus to the point the Company is no longer required to provide services to that patient. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the Company is not required to provide additional goods or services to the patient. Generally, performance obligations satisfied at a point in time relate to sales of the pharmaceuticals business or to sales of ancillary supplies.

Because all performance obligations relate to contracts with a duration of less than one year, the Company has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed within months of the end of the reporting period.

The Company determined the transaction price based on standard charges for goods and services provided, reduced, where applicable, by contractual adjustments provided to third-party payors, implicit price concessions provided to uninsured patients, and estimates of goods to be returned. The Company also determined the estimates of contractual adjustments based on Medicare and Medicaid pricing tables and historical experience. The Company determined the estimate of implicit price concessions based on the historical collection experience with each class of payor.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- Medicare: Certain healthcare services are paid at prospectively determined rates based on cost-reimbursement methodologies subject to certain limits.

- Medicaid: Reimbursements for Medicaid services are generally paid at prospectively determined rates. In the state of Indiana, the Company participates in an Upper Payment Limit program with various county hospital partners, which provides supplemental Medicaid payments to skilled nursing facilities that are licensed to non-state, government-owned entities such as county hospital districts. The Company has an operational responsibility through management agreements for facilities retained by the county hospital districts.

- Other: Payment arrangements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges and prospectively determined periodic rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulation, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Company's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Company.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Company's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant for the years ended December 31, 2022, 2021 and 2020.

Disaggregation of resident fees and services revenue and product revenue

The Company disaggregates revenue from contracts with customers according to lines of business and payor classes. The transfer of goods and services may occur at a point in time or over times; in other words, revenue may be recognized over the course of the underlying contract, or may occur at a single point in time based upon a single transfer of control. This distinction is discussed in further detail below. The disaggregation of revenue into the following categories achieves the disclosure objective to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The following table disaggregates the resident fees and services revenue and product revenue by line of business, according to whether such revenue is recognized at a point in time or over time for the years ended December 31, 2022, 2021 and 2020 (amounts in thousands):

	For the Year Ended December 31, 2022		
	Point in time	Over time	Total
Independent Living	$-	$24,894	$24,894
Skilled Nursing	-	763,546	763,546
Assisted Living	-	203,586	203,586
Pharmacy	186,414	-	186,414
Physical Therapy	-	94,726	94,726
Labs	1,707	-	1,707
Dialysis	380	-	380
Ancillary and Others	45,667	-	45,667
Elimination	-	(93,565)	(93,565)
	$234,168	$993,187	$1,227,355

	For the Year Ended December 31, 2021 (Unaudited)		
	Point in time	Over time	Total
Independent Living	$-	$17,997	$17,997
Skilled Nursing	-	610,296	610,296
Assisted Living	-	160,953	160,953
Pharmacy	159,257	-	159,257
Physical Therapy	-	90,677	90,677
Ancillary and Others	41,238	-	41,238
Elimination	-	(85,071)	(85,071)
	$200,495	$794,852	$995,347

	For the Year Ended December 31, 2020 (Unaudited)		
	Point in time	Over time	Total
Independent Living	$ -	$16,424	$16,424
Skilled Nursing	-	562,297	562,297
Assisted Living	-	166,254	166,254
Pharmacy	155,663	-	155,663
Physical Therapy	-	90,903	90,903
Ancillary and Others	39,960	-	39,960
Elimination	-	(75,825)	(75,825)
	$195,623	$ 760,053	$955,676

The following table disaggregates the resident fees and services revenue and product revenue by payor class for the years ended December 31, 2022, 2021 and 2020 (amounts in thousands):

	For the Years Ended		
	December 31, 2022	December 31, 2021 (Unaudited)	December 31, 2020 (Unaudited)
Medicare	$429,129	$346,930	$353,893
Medicaid	216,916	187,980	164,949
Private and Other Payors	581,310	460,437	436,834
	$1,227,355	$995,347	$955,676

Accounts and Other Receivables, Net

The beginning and ending balances of accounts and other receivables, net as of December 31, 2022 are as follows (amounts in thousands):

	Medicare	Medicaid	Private and other payors	Other receivables	Total
Beginning Balance - 1/1/2022	$35,953	$17,853	$40,523	$20,314	$114,643
Ending Balance - 12/31/2022	45,669	20,310	54,064	1,656	121,699
Increase/(decrease)	$9,716	$2,457	$13,541	$(18,658)	$7,056

The beginning and ending balances of accounts and other receivables, net as of December 31, 2021 are as follows (amounts in thousands):

	Medicare (Unaudited)	Medicaid (Unaudited)	Private and other payors (Unaudited)	Other receivables (Unaudited)	Total (Unaudited)
Beginning Balance - 1/1/2021	$36,479	$14,408	$35,571	$29,599	$116,057
Ending Balance - 12/31/2021	35,953	17,853	40,523	20,314	114,643
Increase/(decrease)	$(526)	$3,445	$4,952	$(9,285)	$(1,414)

Deferred Revenue

Deferred revenue includes payments received from residents in advance of services being rendered and payments received under the Center for Medicare and Medicaid Services' Accelerated and Advance Payments Program ("Advanced Payments"). The program was expanded as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Beginning at one year from the date the payment was issued and continuing for eleven months, Medicare payments owed to providers and suppliers will be recouped at a rate of 25%. After the eleven months end, Medicare payments owed to providers and suppliers will be recouped at a rate of 50% for another six months. Advanced Payments recouped for the years ended December 31, 2022 and 2021 were $12.9 million and $38.7 million with an ending balance as of December 31, 2022 and 2021 of $10 thousand and $12.9 million included in deferred revenue. No Advanced Payments were recouped for the year ended December 31, 2020.

The beginning and ending balances of deferred revenue, related to payments received from residents in advance of services being rendered, are as follows (amounts in thousands):

	For the Years Ended	
	December 31, 2022	December 31, 2021 (Unaudited)
Beginning Balance	$ 12,684	$ 9,983
Ending Balance	16,195	12,684
Increase/(decrease)	$ 3,511	$ 2,701

All amounts included in the beginning balance of deferred revenue excluding Advanced Payments on January 1, 2022, 2021 and 2020 were recognized as revenue during the fiscal years ended December 31, 2022, 2021 and 2020, respectively.

Financing Component

The Company has elected the practical expedient allowed under FASB ASC 606-10-32-18 and, therefore, the Company does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less.

Financial instruments that potentially subject the Company to a concentration of credit risk are primarily patient accounts receivable. Concentration of credit risk with respect to accounts receivable from patients is limited. The Company records revenue from these governmental and managed care programs as services are performed at their expected net realizable amounts under these programs. The Company's revenue from governmental and managed care programs is subject to audit and retroactive adjustment by governmental and third-party agencies. Consistent with healthcare industry accounting practices, any changes to these governmental revenue estimates are recorded in the period the change or adjustment becomes known based on final settlement. Any differences between recorded revenues and subsequent adjustments are reflected in operations in the year finalized.

The Company participates in an established Upper Payment Limit program in the state of Indiana with various county hospital partners ("IGT"). The licenses for 63 facilities are retained by eight county hospital districts. Prior to the participation in IGT, the licenses were owned and operated by the Company. The Company has operational responsibility for the facilities through management agreements with the respective districts. The licenses and management agreements between the nursing center division and hospital districts are terminable by either party to restore the previous licensed status.

Government Grants

The Company has been granted stimulus funds through various federal and state government programs, such as through the CARES Act and the American Rescue Plan Act, which were established for eligible healthcare providers to preserve liquidity in response to lost revenues and/or increased healthcare expenses (as such terms are defined in the applicable regulatory guidance) associated with the COVID-19 pandemic. Such grants are not loans and, as such, are not required to be repaid, subject to certain conditions. These conditions are to offset covid expenses, lost revenue, or applied to health care staffing. The Company recognized government grants as grant income in the consolidated statement of operations when there is reasonable assurance the grants will be received and all conditions to retain the funds will be met. The Company adjusted the estimates and assumptions based on the applicable guidance provided by the government and the best available information. Any stimulus or other relief funds received that are not expected to be used in accordance with such terms and conditions will be returned to the government, and any related deferred income will not be recognized.

For the years ended December 31, 2022, 2021 and 2020, the Company recognized government grants of $24.8 million, $13.9 million and $53.8 million, respectively, as grant income. For the years ended December 31, 2022, 2021 and 2020 the Company deferred approximately $0.5 million, $0.5 million and $2.6 million, respectively, of grant money received. Such deferred amounts are included in the accrued expenses and other current liabilities line on the consolidated balance sheets.

Cash, Cash Equivalents, and Restricted Cash

Cash and cash equivalents consist of all highly liquid investments with a maturity of three months or less when purchased. Restricted cash primarily comprises lender required accounts for property taxes, tenant improvements, capital improvements and insurance, which are restricted as to use or withdrawal.

Accounts Receivable and Allowance for Doubtful Accounts

On January 1, 2020, the Company adopted ASC Topic 326, Financial Instruments Credit Losses, or ASC Topic 326. The Company adopted ASC Topic 326 using the modified retrospective approach whereby the cumulative effect of adoption was recognized on the adoption date and prior periods were not restated. There was no net cumulative effect adjustment to retained earnings as of January 1, 2020. Accounts receivable consist primarily of amounts due from Medicare and Medicaid programs, other governmental programs, managed care health plans and private payor sources. Accounts receivables are carried net of an allowance for doubtful accounts. Estimated provisions for doubtful accounts are recorded to the extent it is probable that a portion or all of a particular account will not be collected. Substantially all of such allowances are recorded as direct reductions of resident fees and services revenue as contractual adjustments provided to third-party payors or implicit price concessions in the Company's accompanying consolidated statements of operations.

In evaluating the collectability of accounts receivable, the Company considers a number of factors, including the age of the accounts, changes in collection patterns, the composition of patient accounts by payor type and the status of ongoing disputes with third-party payors. On an annual basis, the historical collection percentages are reviewed by payor and are updated to reflect the Company's current collection experience. To determine the appropriate reserve rate percentages which ultimately establish the allowance, the Company analyzed historical cash collection patterns by payor. The percentages applied to the aged receivable balances are based on the Company's historical experience and time limits, if any, for managed care, Medicare, Medicaid and other payors. The Company periodically refines the estimate of the allowance for doubtful accounts based on experience with the estimation process and changes in circumstances.

As of December 31, 2022 and 2021, the Company had $12.2 million and $9.6 million, respectively, in allowances, which were determined necessary to reduce receivables by the expected future credit losses.

Inventories

Inventory consists primarily of pharmaceutical supplies and is stated at the lower of cost (first-in, first-out) or net realizable value.

Property and Equipment

Property and equipment are carried at historical cost less accumulated depreciation. These amounts include amortization of assets recorded under capital leases. Repairs and maintenance are expensed as incurred. Depreciation rates for buildings are generally 39 years. Leasehold improvements are depreciated over their estimated useful lives or the remaining lease term, whichever is shorter and range generally from three to 15 years. Estimated useful lives of furniture and equipment vary from three to 15 years.

The Company periodically evaluates the long-lived assets, primarily consisting of real estate that is carried at the historical cost less accumulated depreciation, for impairment indicators. If indicators of impairment are present, the Company evaluates the carrying value of the related real estate in relation to the future undiscounted cash flows of the underlying operations. In performing this evaluation, the Company considers market condition and current Company intentions with respect to holding or disposing of the asset. The Company adjusts the net book value of leased properties and other long-lived assets to fair value if the sum of the expected future undiscounted cash flows, including sales proceeds, is less than book value. The Company recognizes an impairment loss at the time of an impairment is determined.

No impairment losses were recorded for the years ended December 31, 2022 and 2021. For the year ended December 31, 2020, $2.7 million of impairment losses were recorded. See Note 5 for further discussion.

Acquisitions

In accordance with ASC Topic, 805, *Business Combinations*, or Topic 805, and ASU 2017-01, *Clarifying the Definition of a Business*, or ASU 2017-01, the Company determines whether a transaction is a business combination, which requires that assets acquired and liabilities assumed constitute a business. If the assets acquired and liabilities assumed are not a business, the Company accounts for the transaction as an asset acquisition. Under both methods, the Company recognizes identifiable assets acquired and liabilities assumed; however, for a transaction accounted for as an asset acquisition, the Company allocates the purchase price to the identifiable assets acquired and liabilities assumed based on their relative fair values. The Company immediately expenses acquisition related expenses associated with a business combination and capitalizes acquisition related expenses directly associated with an asset acquisition. See Note 3, Asset Acquisition and Disposition Activities, for further discussion.

In accordance with ASC Topic 805, the Company, with assistance from independent valuation specialists, measures the fair value of tangible and identified intangible assets and liabilities acquired, as applicable, based on their respective fair values for acquired properties. The method for allocating the purchase price to acquired investments requires management to make subjective assessments for determining fair value of the assets acquired and liabilities assumed. This includes determining the value of the buildings, land, leasehold interests, above market leases, furniture, fixtures and equipment, leases in place and certificates of need ("CON"). These estimates require significant judgment and in some cases involve complex calculations. These allocation assessments directly impact the results of operations, as amounts allocated to certain assets and liabilities have different depreciation or amortization lives. The determination of the fair value of land is based upon comparable sales data. The fair value of buildings is based upon the Company's determination of the value as if it were to be replaced and vacant using cost data and discounted cash flow modes like those used by independent appraisers.

The values of contingent consideration assets and liabilities are analyzed at the time of acquisition. For contingent purchase options, the fair market value of the acquired asset is compared to the specified option price at the exercise date. If the option price is below market, it is assumed to be exercised and the difference between the fair market value and the option price is discounted to the present value at the time of acquisition.

The values are preliminary estimates in nature and subject to adjustments, which could be material. Any necessary adjustments related to business combinations will be finalized within one year from the date of acquisition.

Goodwill and Intangible Assets, net

The Company tests goodwill and indefinite-lived intangible assets for impairment at least annually, and more frequently if indicators arise. The Company first assesses qualitative factors, such as current macroeconomic conditions, state of the equity and capital markets and the overall financial and operating performance, to determine the likelihood that the fair value of a reporting unit is less than its carrying amount. The excess fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied value of goodwill and is used to determine the amount of impairment. The Company recognizes an impairment loss to the extent the carrying value of goodwill exceeds the implied value in the current period.

The Company's definite and indefinite-lived intangible assets primarily consists of CONs, customer contracts, leases in place, tax abatement, proprietary software and trade names. The fair values of the indefinite-lived intangible assets are derived from current market data, including comparable sales or royalty rates, and projections. The Company tests other indefinite-lived intangible assets for impairment at least annually, and more frequently if indicators arise. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized. Fair values of other indefinite-lived intangible assets are determined based on discounted cash flows or appraised values, as appropriate.

If impairment indicators arise with respect to intangible assets with finite useful lives, the Company evaluates impairment by comparing the carrying amount of the asset to the estimated future undiscounted net cash flows expected to be generated by the asset. If estimated future undiscounted net cash flows are less than the carrying amount of the asset, then the Company estimates the fair value of the asset and compares the estimated fair value to the intangible asset's carrying value. The Company recognizes any shortfall from carrying value as an impairment loss in the current period.

For the years ended December 31, 2022, 2021 and 2020, there were no goodwill or intangible asset impairment losses recorded.

Investment in Joint Ventures

The Company reports investments in unconsolidated entities using the equity method of accounting when the Company has the ability to exercise significant influence over the operating and financial policies. The investments in joint ventures are included in investment in joint ventures in the accompanying consolidated balance sheets. Under the equity method, the Company's share of the investee's earnings or losses is included in the accompanying consolidated statements of operations. Earnings or losses from the Company's investments in unconsolidated entities for the years ended December 31, 2022, 2021 and 2020 were $1.4 million of earnings, $1.4 million of loss and $4.5 million of loss, respectively.

To the extent that the Company's cost basis is different from the basis reflected at the entity level, the basis difference is generally amortized over the lives of the related assets and liabilities, and such amortization is included in the Company's share of equity in earnings of the entity. The initial carrying value of investments in unconsolidated entities are based on the amount paid to purchase the entity interest or the estimated fair value of the assets prior to the sale of interests in the entity. The Company evaluates equity method investments for impairment based upon a comparison of the estimated fair value of the equity method investment to its carrying value. When the Company determines a decline in the estimated fair value of such an investment below its carrying value is other-than-temporary, an impairment is recorded. For the years ended December 31, 2022, 2021 and 2020, there was no impairment loss.

In February 2022, the Company formed a new joint venture through the contribution of one campus that was operational and five campuses in development and non-operational at the time of the transaction located in Ohio and Michigan. The Company contributed the campuses and received a cash distribution of $14.1 million in exchange for a 26% equity investment in the newly formed joint venture. The Company recognized a gain of $0.8 million on the deconsolidation of the campuses contributed. The Company accounts for its investment in the joint venture using the equity method of accounting. The joint venture was determined to be a variable interest entity; however, as the Company does not have the power to direct the activities that most significantly impact the performance of the VIE as it does not control the board of managers, it is not consolidated. During the remainder of 2022 the Company contributed another $4.4 million which made the equity ownership 32% as of December 31, 2022.

Income Taxes

The Company is a Limited Liability Company that has elected to be taxed as a partnership. The taxable income of the Company is taxable to its members. Any withholding taxes paid on behalf of the Company members are recorded in equity as part of the member distributions. The Company may be subject to certain state and local income taxes on its income, gross receipts, property or net worth in some jurisdictions.

In addition, certain activities that the Company undertakes are conducted by subsidiaries, which are elected to be treated as taxable C Corporations. The Company recognizes income tax benefits and expense for the federal, state and local income taxes incurred the taxable C Corporation subsidiaries.

The Company follows ASC Topic 740, Income Taxes, to recognize, measure, present and disclose in its accompanying consolidated financial statements uncertain tax positions that they have taken or expect to take on a tax return. As of December 31, 2022 and 2021, the Company did not have any tax benefits or liabilities for uncertain tax positions in its accompanying consolidated financial statements.

The Company accounts for deferred income taxes using the asset and liability method and recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, the Company determines deferred tax assets and liabilities based on the temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is provided if believed it is more likely than not that all or some portion of the deferred tax asset will not be realized. Any increase or decrease in the valuation allowance that results from a change in circumstances, and that causes the Company to change its judgement about the realizability of the related deferred tax asset, is included in income tax expense in the accompanying consolidated statements of operations when such changes occur. Deferred tax assets and liabilities, net of valuation allowances, are included in deferred tax liability, net in the accompanying consolidated balance sheets. Any increase or decrease in the long-term deferred tax liability that results from a change in circumstances, and that causes a change in judgement about the expected future tax consequences of events, is recorded in income tax expense (benefit) in the accompanying consolidated statements of operations.

Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, restricted cash, accounts payable and accrued liabilities, long-term debt and borrowings under the Company's lines of credit. These instruments, excluding long-term debt and lines of credit, are carried at cost, which approximates fair value due to the short-term maturities of the instruments. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. See Note 12, Fair Value Measurements, for further discussion.

Insurance Reserves

Provisions for loss for professional liability risks and workers' compensation risks are based upon management's best available information including actuarially determined estimates. The reserve for unpaid losses and loss adjustment expenses is estimated using individual case-based valuations, statistical analyses, and the expertise of an independent actuary. The insurance risk liabilities are included in current reserves and long-term reserves and other liabilities in the accompanying consolidated balance sheets.

Variable Interest Entities ("VIE")

The Company follows the provisions of the authoritative guidance for determining whether an entity is a VIE. In order to determine if the Company is a primary beneficiary of a VIE for financial reporting purposes, it must consider whether it has the power to direct activities of the VIE that most significantly impact the performance of the VIE and whether the Company has the obligation to absorb losses or the right to receive returns that would be significant to the VIE. The Company consolidates a VIE when it is the primary beneficiary.

Leases

The Company accounts for leases under FASB *Leases* (ASC Topic 842).

Lessee
Pursuant to ASC Topic 842, lessees are required to recognize the following for all leases with terms greater than 12 months at the commencement date: (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease; and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The lease liability is calculated by using either the implicit rate of the lease or the incremental borrowing rate. A new incremental borrowing rate is calculated each time a new lease is executed.

For finance leases, the accretion of lease liability is included in interest expense and the amortization expense on right-of-use assets is included in depreciation and amortization in the accompanying consolidated statements of operations. Further, finance lease assets are included within property and equipment, net and finance lease liabilities are included within capital leases and financing obligations in the accompanying consolidated balance sheets.

Lessor
Pursuant to ASC Topic 842, lessors bifurcate lease revenues into lease components and non-lease components and separately recognize and disclose non-lease components that are executory in nature. Lease components continue to

be recognized on a straight-line basis over the lease term and certain non-lease components may be accounted for under the new revenue recognition guidance in ASC Topic 606. See "Revenue Recognition" section above. ASC Topic 842 also provided for a practical expedient package that permits lessors to not separate non-lease components from the associated lease component if certain conditions are met. Such practical expedient is limited to circumstances in which: (i) the timing and pattern of transfer are the same for the non-lease component and the related lease component; and (ii) the lease component, if accounted for separately, would be classified as an operating lease. In addition, such practical expedient causes an entity to assess whether a contract is predominately lease or service based, and recognize the revenue from the entire contract under the relevant accounting guidance. The Company recognizes revenue from medical office buildings and sub-leasing sections under ASC Topic 842 as resident fees and services revenue. Minimum annual rental revenue is recognized on a straight-line basis over the term of the related lease. Differences between real estate revenue and cash amounts contractually due from tenants for common area maintenance expenses and certain other recoverable expenses, are considered non-lease components. The Company qualified for and elected the practical expedient as outlined above to combine the non-lease component with the lease component, which is the predominant component, and therefore is recognized as part of resident fees and services revenue.

The Company's senior housing facilities offer residents room and board (lease component), standard meals and monthly healthcare services (non-lease component), and certain ancillary services that are not contemplated in the lease with each resident (i.e., laundry, guest meals, etc.). For the Company's senior housing facilities, the Company recognized revenue under ASC Topic 606 as resident fees and services revenue, based on the Company's predominance assessment from electing the practical expedient outlined above. See "Revenue Recognition" section above.

See Note 13, Leases and Financing Obligations, for a further discussion.

Stock Based Compensation

On January 1, 2019, the Company adopted Accounting Standards Update, or ASU, 2018-07, Improvements to Nonemployee Share-Based Payment Accounting, or ASU 2018-07, which simplifies the accounting for share-based payments to nonemployees by aligning it with the accounting for share-based payments to employees, with certain exceptions. It expands the scope of ASC Topic 718 to include share-based payments granted to nonemployees in exchange for goods or services used or consumed in the entity's own operations and supersedes the guidance of ASC Topic 505-50, Equity-Based Payments to Nonemployees. The Company applied this guidance using a modified retrospective approach for all equity-classified nonemployee awards for which a measurement date has not been established as of the adoption date. See Note 11, Members' Equity – Noncontrolling Interests in Total Equity, for a further discussion of grants to nonemployees.

Recently Issued Accounting Pronouncements

In November 2021, the FASB issued ASU No. 2021-10, *"Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance."* The ASU increases the transparency of government assistance including the disclosure of (1) the types of assistance, (2) an entity's accounting for the assistance, and (3) the effect of the assistance on an entity's financial statements. Diversity currently exists in the recognition, measurement, presentation, and disclosure of government assistance received by business entities because of the lack of specific authoritative guidance in generally accepted accounting principles. Requiring disclosures about government assistance in the notes to financial statements will provide comparable and transparent information to investors and other financial statement users to enable them to understand an entity's financial results and prospects for future cash flows. The Company adopted ASU 2021-10 on January 1, 2022, which did not have a material impact on the consolidated financial statements.

In October 2021, the FASB issued ASU No. 2021-08, *"Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers."* The ASU amends ASC 805 to require acquiring entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination and is intended to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those years, with early adoption permitted. The amendments should be applied prospectively to business combinations occurring on or after the effective date of the amendments. The Company is currently evaluating the impact the standard will have on the consolidated financial statements.

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 ASU is elective and is relief to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. Optional expedients are provided for contract modification accounting under topics such as debt, leases, and derivatives. The optional amendments are effective for all entities as of any date from the beginning of an interim period that includes or is after March 12, 2020 through December 31, 2022. The Company did not adopt ASU 2020-04.

In January 2020, the FASB issued ASU 2020-01, *Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)*, which helps clarify the interactions between Topic 321, Topic 323, and Topic 815. The amendment ASU 2020-01 clarifies is that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. This amendment is intended to reduce diversity in practice and increase comparability of the accounting for the interactions between Topic 321, Topic 323 and Topic 815. ASU 2020-01 is effective for fiscal years and interim periods beginning after December 15, 2020. Early adoption is permitted. The Company adopted ASU 2020-01 on January 1, 2021, which did not have a material impact to the consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *"Simplifying the Accounting for Income Taxes" (Topic 740).* The standard clarifies, among other topics, that the effects of an enacted change in tax law on taxes currently payable or refundable for the current year be reflected in the computation of the annual effective tax rate in the first interim period that includes the enactment date of the new legislation. The Company adopted this standard effective January 1, 2021 and the standard did not have a material impact to the consolidated financial statements.

3. Asset Acquisition and Disposition Activities

The operating results of the acquired businesses have been included in the accompanying consolidated financial statements of the Company from the respective acquisition dates. The purchase price of acquired businesses and acquired leased facilities resulted from negotiations with each of the sellers that were based upon both the historical and expected future cash flows of the respective businesses and real estate values. Each of these acquisitions were financed through operating cash flows and borrowings. The Company recognized $0.4 million, $0.1 million and $0.4 million transaction costs in its consolidated statements of operations for the years ended December 31, 2022, 2021 and 2020, respectively.

The following is a summary of the Company’s asset acquisition activities during the year ended December 31, 2022 (amounts in thousands):

Acquisition	Date Acquired	Value of Assets Acquired	Land and Building	Intangible
5 Pack (Harrodsburg, Evansville, Stony Brook, Mt. Washington, Pickerington) Lease Purchase[1]	5/20/2022	$65,432	$65,432	$ -
Total		$65,432	$65,432	$ -

1) In April and May 2022, the Company exercised the purchase option for four previously leased facilities and one building subject to a financing obligation consisting of 547 beds located in Kentucky, Indiana, and Ohio. The total acquisition cost was $65.4 million. The transaction was financed using proceeds of $65.8 million from a bridge loan. See Note 7, Long Term Debt. The existing right of use net assets of $1.1 million and existing leasehold improvements of $1.1 million were allocated to the assets acquired.

The following is a summary of the Company's asset acquisition activities during the year ended December 31, 2021 (amounts in thousands):

Acquisition (Unaudited)	Date Acquired (Unaudited)	Value of Assets Acquired (Unaudited)	Land and Building (Unaudited)	Intangible (Unaudited)
Super 6 (Kendalville, Delphos, Sylvania, Springfield II, Lima, Union Township)(1)	1/19/2021	$77,194	$ 76,135	$ 1,059
Total		$77,194	$76,135	$ 1,059

1) In January 2021, the Company exercised the purchase option for six previously leased facilities consisting of 641 beds located in Indiana and Ohio (Super 6). The total acquisition cost was $77.2 million. The assigned life of the acquired intangible is 12 years. The transaction was financed using proceeds of $78.6 million from a Term Loan on January 19, 2021. The existing right of use net assets of $3.1 million and existing leasehold improvements $1.6 million were allocated to the assets acquired.

The following is a summary of the Company's asset acquisition activities during the year ended December 31, 2020 (amounts in thousands):

Acquisition (Unaudited)	Date Acquired (Unaudited)	Value of Assets Acquired (Unaudited)	Land and Building (Unaudited)
Louisville and Monticello(1)	7/30/2020	$ 27,591	$ 27,591
Total		$ 27,591	$ 27,591

1) In July 2020, the Company exercised the purchase option for two previously leased facilities consisting of 229 beds located in Indiana and Kentucky. Total contract purchase price was $27.3 million. The transaction was financed using proceeds of $28.3 million from the line of credit issued on September 5, 2019 (see Note 7).

The following is a summary of the dispositions for the year ended December 31, 2022 (amounts in thousands):

Location	Date Disposed	Contract Sales Price
Spencer, IN(1)	9/1/2022	$ 12,000
McConnellsville, OH(2)	10/3/2022	6,700
Total		$ 18,700

1) In September 2022, the Company disposed of one senior health campus in Indiana with transactional costs of $0.3 million making the net cash received of $11.7 million. The Company recognized a total net gain on the dispositions of $2.1 million, which is included in other (income) expense, net on the consolidated statement of operations. Proceeds received from the disposition were used to pay off a HUD mortgage. See Note 7, Long Term Debt.

2) In October 2022, the Company disposed of one senior health campus in Ohio with transactional costs of $0.3 million making the net cash received of $6.4 million. The Company recognized a total net gain on the disposition of $1.3 million, which is included in other (income) expense, net on the consolidated statement of operations. Proceeds received from the disposition were used to pay down the RER line of credit. See Note 7, Long Term Debt.

The following is a summary of the dispositions for the year ended December 31, 2021 (amounts in thousands):

Location (Unaudited)	Date Disposed (Unaudited)	Contract Sales Price (Unaudited)
Pittsburgh, PA - PCA Pittsburgh Pharmacy(1)	7/20/2021	$640
Milford, IN(2)	7/2/2021	300
Bluffton, OH(2)	5/18/2021	200
Total		$1,140

1) In July 2021, the Company disposed of PCA Mission Pharmacy Pittsburg located in Pennsylvania. The Company received $0.6 million as sales proceeds. Proceeds received from the disposition were used to fund operating activities. Transaction included a contingent maximum earn out of $0.5 million, which will be calculated as a percentage of revenues generated from assumed customer contracts and collected by buyer over the next three years. The earn out will be recorded as gain when collected. For the year 2021, a gain of $0.1 million was recorded.

2) During the year ended 2021, the Company disposed of one senior health campus in in Indiana and one senior health campus in Ohio. The Company recognized a total net loss on such dispositions of $0.1 million, which is included in other (income) expense, net on the consolidated statement of operations. Proceeds received from the disposition were used to pay down other liabilities.

The following is a summary of the dispositions for the year ended December 31, 2020 (amounts in thousands):

Location (Unaudited)	Date Disposed (Unaudited)	Contract Sales Price (Unaudited)
Jackson, MI	8/4/2020	$10,000
Ferdinand, IN	10/20/2020	457
Total		$10,457

1) For the year ended December 31, 2020, the Company disposed of one integrated senior health campus in Michigan and one integrated senior health campus in Indiana. The Company recognized a total net gain on such dispositions of $1.4 million, which is included in other (income) expense, net on the consolidated statement of operations. Proceeds received from the disposition were used to pay down other liabilities. A portion of the contract price was funded by a $1 million note receivable. The $1 million note receivable was received in August 2020.

4. Business Combinations

The following table below summarizes the acquisitions accounted for as business combinations during the year ended December 31, 2022, which are included within the accompanying consolidated financial statements of the Company. The Company did not complete any acquisitions accounted for as a business combination in 2021 or 2020. The total transaction expenses incurred in connection with the business combinations for the year ended December 31, 2022 amounted to $1.1 million and were included in cost of services in the accompanying consolidated statement of operations. The Company records the assets acquired and liabilities assumed at fair value for acquisitions accounted for as business combinations. The acquired intangible assets subject to amortization amounted to $10.3 million and carried a weighted average amortization period of 14 months. Any necessary adjustments will be finalized within one year from the date of acquisition.

The Company's acquisitions accounted for as business combinations for the year ended December 31, 2022 are included the following table (amounts in thousands):

	Springhurst Pines[1]	PCA Florida Acquisition[2]	RHS Acquisition[3]	2022 Total Acquisitions
Current assets:				
Cash and cash equivalents	$-	$205	$7,868	$8,073
Accounts and other receivables, net	-	439	17,953	18,392
Inventories	-	385	974	1,359
Prepaid expenses	1	27	300	328
Insurance receivable	-	-	188	188
Other current assets	-	-	623	623
Property and equipment, net	22,138	415	68,955	91,508
Other assets:				
Goodwill	2,423	394	42,174	44,991
Intangible assets, net	4,110	-	9,787	13,897
Right of use assets	-	646	153,131	153,777
Restricted cash	-	-	981	981
Deposits and other assets	-	45	56	101
Long-term insurance receivable	-	-	311	311
Total assets acquired	28,672	2,556	303,301	334,529
Current liabilities:				
Accounts payable	-	(1,592)	(2,037)	(3,629)
Accrued salaries and payroll	(109)	(98)	(3,286)	(3,493)
Accrued expenses and other current liabilities	(8,033)	(220)	(7,103)	(15,356)
Current reserves	-	-	(1,392)	(1,392)
Resident funds liability	-	-	(97)	(97)
Deferred revenue	-	-	(1,156)	(1,156)
Current lease liabilities	-	(131)	(13,603)	(13,734)
Current portion of finance leases and financing obligations	(56)	-	(10)	(66)
Long-term liabilities:				
Long-term debt, less current portion, net	-	-	(51,675)	(51,675)
Lease liabilities, less current portion	-	(515)	(146,873)	(147,388)
Long-term reserves and other liabilities	-	-	(2,751)	(2,751)
Total liabilities assumed	(8,198)	(2,556)	(229,983)	(240,737)
Net assets acquired	$ 20,474	$ -	$ 73,318	$ 93,792

(1) On January 3, 2022, the Company, through a majority-owned subsidiary of Trilogy Investors, acquired 100% of a senior health facility consisting of 153 beds located in Kentucky. The transaction was financed using proceeds of $20.8 million from a term loan on January 3, 2022. See Note 7, Long Term Debt.

(2) On April 1, 2022, the Company, through Trilogy Investors, acquired the remaining 50.0% interest in a leased pharmaceutical business in Florida from an unaffiliated third party and incurred transaction costs of $0.9 million. Through Trilogy Investors, the Company previously owned a 50% interest in the pharmaceutical business that was included in investment in joint ventures within total other assets in the consolidated balance sheet.

(3) On August 1, 2022, the Company, through Trilogy Investors, acquired the remaining 50% interest in its equity method investment, RHS Partners, LLC ("RHS") from the other joint venture partner. RHS is comprised of 16 total campuses (3 owned and 13 leased) for a total of 1,794 beds located in Indiana. The purchase consideration for the 50% interest of $36.6 million was financed through a $22.5 million draw on the revolver line of credit and the settlement of a previously held note receivable and accrued interest from the other joint venture partner of $14.1 million. Through July 31, 2022, the 50% interest in net earnings or losses of this joint venture was included in loss (gain) from unconsolidated entities in the consolidated statement of operations. The Company's previously held interest was re-measured at fair value as of July 31, 2022, and the Company recognized a gain on re-measurement of $19.6 million which was included in other (income) expense, net in the consolidated statement of operations.

Unaudited Pro Forma Information

The following unaudited pro forma financial information presents the combined results of operations for each of the periods presented, as if the acquisitions had been consummated on January 1, 2020. The unaudited pro forma information related to the acquisition of Springhurst Pines is based on available revenue and expenses which were derived from the actual 2022 operations. The unaudited pro forma information for the PCA Florida and RHS acquisitions is based on the historical information with adjustments made including, without limitation, acquisition related transaction costs, removal of historical depreciation and amortization and the addition of depreciation and amortization based on the purchase price allocation accounting related to the acquisitions, and gain from remeasurement of previously held equity method investment. The unaudited pro forma information presented below is for informational purposes only and is not necessarily indicative of the Company's consolidated results of operations of the combined businesses had the acquisitions actually occurred on January 1, 2020 or of the results of the Company's future operations of the combined businesses. The unaudited pro forma financial information does not reflect any synergies or operating cost reductions that have been and may be achieved from the combined operations.

	For the Years Ended December 31,		
	2022 (Unaudited)	**2021 (Unaudited)**	**2020 (Unaudited)**
Pro forma net revenue	$1,374,088	$1,200,430	$1,185,788
Pro forma net (loss) income	$35,882	($16,213)	$25,720

5. Property and Equipment, net

Property and equipment consist of the following (amounts in thousands) as of December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021 (Unaudited)
Buildings and improvements	$1,315,094	$1,202,006
Furniture and equipment	225,961	205,103
Land and land improvements	129,506	116,289
Construction in progress	5,067	5,175
	1,675,628	1,528,573
Less accumulated depreciation	(313,853)	(257,266)
Property and equipment, net	$ 1,361,775	$1,271,307

The Company recognized $59.8 million, $55.5 million and $48.4 million in depreciation expense for the years ended December 31, 2022, 2021 and 2020, respectively.

As of December 31, 2022 and 2021, the Company had $10.1 million and $8.6 million, respectively, in leasehold improvements. The improvements are amortized over the shorter of their useful life or the lease term.

As of December 31, 2022 and 2021, the Company had $27.2 million, $25.2 million, respectively, in gross capitalized software. As of December 31, 2022 and 2021, the Company had $22.1 million and $18.6 million, respectively, in accumulated depreciation of capitalized software included in furniture and equipment.

No impairment charges were recognized for the years ended December 31, 2022 and 2021. During the year ended December 31, 2020, the Company determined that two integrated senior health campuses were impaired and recognized an aggregate impairment charge of $2.7 million, which reduced the total carrying value of such investments to $0.1 million. In October 2020, the Company disposed of one of the impaired integrated senior health campuses. For further discussions, see the dispositions activity in Note 3. The fair value of the remaining impaired integrated senior health campus was based on projected sales price, which was considered a Level 3 measurement within the fair value hierarchy.

Construction in progress represents costs associated to date for renovation and development projects.

6. Goodwill and Intangible Assets, net

The components of goodwill and intangible assets are as follows as of December 31, 2022 (amounts in thousands):

	Gross intangible assets	Accumulated amortization	Net intangible assets
Goodwill Balance, December 31, 2021	$75,309	$-	$ 75,309
Additions	44,991	-	44,991
Goodwill Balance, December 31, 2022	$120,300	$ -	$ 120,300
Unamortized intangible assets			
Certificates of need	97,340	-	97,340
Tradenames	30,787	-	30,787
Amortized intangible assets			
Tax abatement (12 year life)	1,059	(176)	883
Leases in place	10,651	(5,553)	5,098
Customer contracts (19 year life)	2,840	(785)	2,055
Proprietary software (5 year life)	470	(470)	-
Total intangible assets	143,147	(6,984)	136,163
Total	$263,447	$ (6,984)	$256,463

The components of goodwill and intangible assets are as follows as of December 31, 2021 (amounts in thousands):

	Gross intangible assets (Unaudited)	Accumulated amortization (Unaudited)	Net intangible assets (Unaudited)
Goodwill	$75,309	$-	$75,309
Unamortized intangible assets			
Certificates of need	99,107	-	99,107
Tradenames	30,787	-	30,787
Amortized intangible assets			
Tax abatement (12 year life)	1,059	(88)	971
Leases in place	310	(189)	121
Customer contracts (19 year life)	2,840	(636)	2,204
Proprietary software (5 year life)	470	(399)	71
Total intangible assets	134,562	(1,312)	133,261
Total	$ 209,871	$(1,312)	$208,570

The Company records CONs with indefinite useful lives. In the states of Ohio, Kentucky, and Michigan, a facility that is certified as a nursing facility is required to operate with a CON. During 2022, the Company disposed of $5.7 million in CONs within the states that it operates. During 2022, 2021 and 2020, the Company acquired $3.9 million,

$2.3 million and $1.9 million in CONs within the states that it operates which includes the CONs acquired through acquisitions as discussed in Note 3, Asset Acquisitions and Disposition Activities and Note 4, Business Combinations.

Amortization expense for all intangible assets was $5.6 million, $0.3 million and $1.4 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Estimated amortization expense for all intangible assets as of December 31, 2022 are as follows (amounts in thousands):

Intangible amortization schedule	
2023	$ 5,307
2024	263
2025	239
2026	239
2027	238
Thereafter	1,750
Total	$ 8,036

7. Long-Term Debt

Long-term debt consists of the following as of December 31, 2022 and 2021 (amounts in thousands):

	Contractual Interest Rate*	Maturity Date	2022	2021 (Unaudited)
Fixed-Rate Debt:				
(1) HUD mortgages (secured by mortgage of property with 12/31/22 net book value of $554,428)	2.86% - 4.88%	Various 2044 -2056	$511,084	$531,293
(2) Construction loan (secured by property with 12/31/22 net book value of $9,514)	4.00%	8/27/2025	6,982	6,903
(3) Term loan (secured by property with 12/31/22 net book value of $13,486)	3.50%	1/3/2027	20,800	-
(4) Promissory Notes (secured by property with 12/31/22 net book value of $13,943)	8.50%	7/1/2024	5,000	-
(5) Promissory Notes (secured by property with 12/31/22 net book value of $19,002)	7.30%	7/1/2024	1,375	-
Total fixed-rate debt			545,241	538,196

	Contractual Interest Rate*	Maturity Date	2022	2021 (Unaudited)
Variable-Rate Debt:				

(6) Construction loan (secured by property with 12/31/22 net book value of $17,000)	7.02%	6/15/2023	14,795	14,512
(7) Construction loan (secured by property with 12/31/22 net book value of $16,775)	7.22%	7/31/2023	14,343	14,343
(8) Construction loan (secured by property with 12/31/22 net book value of $13,120)	7.02%	6/15/2023	11,505	11,505
(9) Construction loan (secured by property with 12/31/22 net book value of $18,153)	7.02%	6/15/2023	15,632	14,935
(10) Term loan (secured by property with 12/31/22 net book value of $75,898)	7.12%	2/10/2024	78,587	78,587
(11) Construction loan paid off in Dec 2022	3.85%	3/13/2023	-	19,984
(12) Construction loan paid off in Dec 2022	5.25%	5/1/2024	-	14,325
(13) Construction loan (secured by property with 12/31/2022 net book value of $14,925)	7.02%	6/15/2023	12,394	10,026
(14) Construction loan sold to TOF in Feb 2022	2.60%	10/1/2025	-	12,239
(15) Term loan (secured by property with 12/31/22 net book value of $72,553)	6.92%	5/19/2024	65,775	-
(16) Term loan (secured by property with 12/31/22 net book value of $59,665)	7.26%	6/28/2023	45,300	-
(17) Term loan (secured by property with 12/31/22 net book value of $23,390)	6.31%	7/10/2025	30,000	-
Total variable-rate debt			288,331	190,456
Total fixed and variable-rate debt			833,572	728,652
Less: deferred financing fees			(6,220)	(6,547)
Less: discount on mortgage loans payable			(8,581)	(10,603)
Total debt, net			818,771	711,502
Amounts due within one year			(125,859)	(12,074)
Long-term debt, less current portion, net			$692,912	$699,428

*Represents the per annum interest rate in effect as of December 31, 2022.

(1) The Company maintains 51 separate mortgage loans insured by HUD. The interest rates are fixed and range from 2.86% to 4.88% with a weighted average effective interest rate of 3.92%. The HUD Loans mature between 2044 and 2056. Each of the HUD loans are secured by a mortgage on the property owned by the applicable borrower.

(2) On August 27, 2020, the Company entered into a construction loan agreement to finance the construction of new villa properties located in Monclova, Ohio. The maximum principal sum of the loan is $7 million with a

fixed interest rate of 4.00%. The construction loan requires monthly interest only payments for the first 36 months, then principal plus interest payments until the maturity date of August 27, 2025. The construction loan is secured by certain real property and personal property of the campus owned by the Company.

(3) On January 3, 2022, the Company entered into a term loan for $20.8 million. The Company used the net proceeds to finance the acquisition of one facility located in Louisville, Kentucky. The term loan requires that the Company pay all the outstanding loan balance on the maturity date of January 3, 2027, together with any and all accrued and unpaid interest thereon. The interest rate on the promissory note is equal to a fixed rate of 3.50% per annum. The term loan requires monthly interest only payments for the first 36 months, then principal plus interest payments until the maturity date of January 3, 2027.

(4) On August 1, 2022, the acquisition of the remaining 50% interest in RHS Partners, LLC joint venture was financed through a promissory note for $5 million entered into on June 28, 2019, which proceeds were used for the acquisition of one facility in Indiana. The promissory note requires that the Company pay all the outstanding balance on the maturity date of July 1, 2024, together with any and all accrued and unpaid interest thereon. The interest rate on the note is equal to a fixed rate of 8.50% per annum.

(5) On August 1, 2022, the acquisition of the remaining shares of the RHS Partners, LLC joint venture included a promissory note for $1.4 million entered into on June 28, 2019, which proceeds were used for the acquisition of one facility in Indiana. The promissory note requires that the Company pay all the outstanding balance on the maturity date of July 1, 2024, together with any and all accrued and unpaid interest thereon. The interest rate on the note is equal to a fixed rate of 7.30% per annum.

(6) On February 28, 2020, the Company entered into a construction loan agreement to finance the construction of a new property location in Belmont, Michigan. The maximum principal sum of the loan is $15.4 million with an interest rate of one-month SOFR Rate plus 2.65%. The construction loan requires monthly interest only payments until the initial maturity date of June 15, 2023. If the Company exercises the two-year extension option, then the loan requires principal plus interest payments until the extended maturity date of February 28, 2025. The property must meet a debt service coverage ratio of 1.30, based on a trailing three months, in order to exercise the extension option. The construction loan is secured by certain real property and personal property of the campus owned by the Company.

(7) On January 31, 2019, the Company entered into a construction loan agreement to finance the construction of a new property located in Byron Center, Michigan. The maximum principal sum of the loan is $14.3 million with an interest rate of one-month SOFR Rate plus 2.85%. The construction loan requires monthly interest only payments until the initial maturity date of July 30, 2023. If the Company exercises the one-year extension option, then the loan requires principal plus interest payments until the extended maturity date of January 31, 2024. The property must meet a debt service coverage ratio of 1.00, based on a trailing three months, in order to exercise the extension option. The construction loan is secured by certain real property and personal property of the campus owned by the Company.

(8) On February 13, 2020, the Company entered into a construction loan agreement to finance the construction of a new property located in Hamilton, Ohio. The maximum principal sum of the loan is $11.5 million with an interest rate of one-month SOFR Rate plus 2.65%. The construction loan requires monthly interest only payments until the initial maturity date of June 15, 2023. If the Company exercises the two-year extension option, then the loan requires principal plus interest payments until the extended maturity date of February 13, 2025. The property must meet a debt service coverage ratio of 1.30, based on a trailing three months, in order to exercise the extension option. The construction loan is secured by certain real property and personal property of the campus owned by the Company.

(9) On February 13, 2020, the Company entered into a construction loan agreement to finance the construction of a new property located in Harrison, Ohio. The maximum principal sum of the loan is $15.6 million with an interest rate of one-month SOFR Rate plus 2.65%. The construction loan requires monthly interest only payments until the initial maturity date of June 15, 2023. If the Company exercises the two-year extension option, then the loan requires principal plus interest payments until the extended maturity date of February 13, 2025. The property must meet a debt service coverage ratio of 1.30, based on a trailing three months, in order to

exercise the extension option. The construction loan is secured by certain real property and personal property of the campus owned by the Company.

(10) On January 19, 2021, the Company entered into a term loan for $78.6 million. The Company used the net proceeds to finance the acquisition of six facilities located in Indiana and Ohio. The term loan requires that the Company pays all of the outstanding loan balance on the maturity date of February 10, 2024, together with any and all accrued and unpaid interest thereon. If the Company exercises a 6-month extension, then the loan requires satisfaction of certain conditions, including payment of an extension fee, no events of default, and provide other documentation requested by the lender. The interest rate on the promissory note is equal to 2.75% per annum plus one-month LIBOR Rate, with a LIBOR floor of 0.75%. The term loan is secured by a perfected first priority lien and security interest of the six campuses.

(11) On March 13, 2018, the Company entered into a construction loan agreement to finance the construction of two new properties both located in Indiana. The maximum principal sum of the loan is $20.8 million with an interest rate of one-month LIBOR Rate plus 3.75%. The Company submitted a Conversion notice on January 28, 2021 to request that the construction loan be converted to an amortizing loan and to extend the maturity date to March 13, 2023 as provided in the loan agreement. The construction loan was paid off in December 2022.

(12) On May 6, 2019, the Company entered into a construction loan agreement to finance the construction of a new property located in Gahanna, Ohio. The maximum principal sum of the loan is $14.3 million and effective January 2022 the rate changed to 1-month Term Secured Overnight Financing Rate (SOFR) + 3.36% with minimum SOFR of 1.89%. The construction loan was paid off in December 2022.

(13) On February 13, 2020, the Company entered into a construction loan agreement to finance the construction of a new property located in Romeo, Michigan. The maximum principal sum of the loan is $12.4 million with an interest rate of one-month SOFR Rate plus 2.65%. The construction loan requires monthly interest only payments until the initial maturity date of June 15, 2023. If the Company exercises the two-year extension option, then the loan requires principal plus interest payments until the extended maturity date of February 13, 2025. The property must meet a debt service coverage ratio of 1.30, based on a trailing three months, in order to exercise the extension option. The construction loan is secured by certain real property and personal property of the campus owned by the Company.

(14) On September 17, 2020, the Company entered into a construction loan agreement to finance the construction of a new property located in Hilliard, Ohio. The maximum principal sum of the loan is $15.9 million with an interest rate of one-month LIBOR Rate plus 2.35%, with a LIBOR floor of 0.50%. The construction loan requires monthly interest only payments for the first 36 months, then principal plus interest payments until the maturity date of October 1, 2025. The Company sold this building in 2022 and the loan was transferred to the buyer. See Note 3.

(15) On May 19, 2022, the Company entered into a term loan for $65.8 million. The Company used the net proceeds to finance the acquisition of five facilities located in Indiana, Kentucky, and Ohio. The term loan requires that the Company pays all the outstanding loan balance on the maturity date of May 19, 2024, together with any and all accrued and unpaid interest thereon. There is a one-year extension option. The interest rate on the promissory note is equal to one-month Term SOFR plus 2.50% per annum, with a Term SOFR floor of 0.0%. As of December 31, 2022, the Company was not compliant with one covenant but a waiver and amendment of the covenant calculation was received.

(16) On August 1, 2022, the acquisition of RHS included a term loan for $45.3 million entered into on June 28, 2019, which proceeds were used for the acquisition of three facilities in Indiana. The term loan requires that the Company pay all the outstanding loan balance on the maturity date of June 28, 2023, together with any and all accrued and unpaid interest thereon. The interest rate on the term loan note is equal to daily simple SOFR plus 2.85% per annum.

(17) On December 15, 2022, the Company entered into a term loan for $30 million. The Company used the net proceeds to pay off a construction loan for two properties which was to mature on March 13, 2023. The

term loan requires that the Company pay all the outstanding loan balance on the maturity date of July 10, 2025, together with any and all accrued and unpaid interest thereon. The interest rate on the term loan note is equal to 30-day average SOFR plus 2.50% per annum with a SOFR floor of 0.50%.

The Company's various loan agreements require the maintenance of certain financial covenants including fixed charge coverages, leverage ratio, minimum tangible net worth balance, and reporting requirements.

Principal payments due over the five years are as follows (amounts in thousands):

Year	Amount
2023	$ 125,859
2024	163,135
2025	49,685
2026	13,444
2027	33,045
Thereafter	448,404
Total	$ 833,572

8. Lines of Credit

On September 5, 2019, Trilogy RER, LLC executed a Senior Secured Credit Agreement ("RER Credit Agreement") with KeyBank, the administrative agent, Regions Bank the syndicating agent and CIT Bank as the revolving agent. The RER Credit Agreement has a maximum real estate revolver credit amount of $365 million. The credit agreement has a four-year term, maturing on September 5, 2023, unless extended for a one-year period subject to satisfaction of certain conditions, including payment of an extension fee or otherwise terminated in accordance with the term thereunder.

At the Company's option, the RER Credit Agreement bears interest at a floating rate based on an adjusted daily simple SOFR rate plus an applicable margin of 2.75% or an adjusted term SOFR rate plus an applicable margin of 2.75% or an alternate base rate plus an applicable margin of 1.75%. In addition to paying interest on outstanding principal under the RER Credit Agreement, the Company will be required to pay an unused fee to the lenders in respect of the unutilized commitment at a rate equal to 0.15%, subject to adjustment depending on usage. Outstanding amounts under the RER Credit Agreement may be prepaid, or in whole or in part, at any time, without penalty or premium, subject to customary breakage costs.

The proceeds under the RER Credit Agreement may be used for working capital, capital expenditures, acquisition of properties and fee interests in leasehold properties and general corporate purposes. The RER Credit Agreement contains various affirmative and negative covenants that are customary for credit facilities and transactions of this type, including incurrence of debt and limitations on secured recourse indebtedness.

As of December 31, 2022 and 2021, the borrowing capacity was $47 million and $24 million, respectively, under the RER Credit Agreement. The borrowings outstanding totaled $317 million and $301 million and the interest rate on borrowings outstanding was 7.17% and 2.85%.

On September 5, 2019, Trilogy OpCo, LLC executed a Senior Secured Credit Agreement ("OpCo Credit Agreement") with KeyBank the administrative agent, Regions Bank the syndicating agent and CIT Bank as the revolving agent. The OpCo Credit Agreement has a maximum accounts receivable credit amount of $35 million. The credit agreement has a four-year term, maturing on September 5, 2023, unless extended for a one-year period subject to satisfaction of certain conditions, including payment of an extension fee or otherwise terminated in accordance with the term thereunder. The Company may obtain up to $35 million in the form of swing line loans and up to $15 million in the form of standby letters of credit.

At the Company's option, the OpCo Credit Agreement bears interest at a floating rate based on an adjusted daily simple SOFR rate plus an applicable margin of 2.75% or an adjusted term SOFR rate plus an applicable margin of 2.75% or an alternate base rate plus an applicable margin of 1.75%. In addition to paying interest on outstanding principal under the OpCo Credit Agreement, the Company will be required to pay an unused fee to the lenders in respect of the unutilized commitment at a rate equal to 0.15%, subject to adjustment depending on usage. Outstanding amounts under the OpCo Credit Agreement may be prepaid, or in whole or in part, at any time, without penalty or premium, subject to customary breakage costs.

The proceeds under the OpCo Credit Agreement may be used for working capital, capital expenditures, acquisition of properties and fee interests in leasehold properties and general corporate purposes. The RER Credit Agreement contains various affirmative and negative covenants that are customary for credit facilities and transactions of this type, including incurrence of debt and limitations on secured recourse indebtedness.

As of December 31, 2022 and 2021, the borrowing capacity was $31.1 million and $21.2 million under the OpCo Credit Agreement. The borrowings outstanding totaled $0 and $3.7 million and the interest rate on borrowings outstanding was 7.17% and 2.85%.

9. Income Taxes

The Company, taxed as a partnership, generally will not be subject to federal income tax on taxable income that is distributed to the Company's members. However, a C Corporation subsidiary is subject to federal and state income that is taxed at regular corporate tax rates. As the C Corporation subsidiary is indirectly owned by the Company's subsidiary, Trilogy REIT, the Company has elected to treat it as a taxable REIT subsidiary ("TRS") pursuant to the Internal Revenue Code. All income generated at the TRS is domestic and is not subject to foreign income taxes. There were no federal or state, current or deferred income taxes recorded for the years ended December 31, 2022 and 2021.

The components of income tax benefit for the years ended December 31, 2022, 2021 and 2020 were as follows (amounts in thousands):

	For the Years Ended December 31,		
	2022	**2021 (Unaudited)**	**2020 (Unaudited)**
Federal current	$-	$-	$-
State current	$-	$-	$-
Federal deferred	$21,676	$21,762	$11,680
State and local deferred	$2,453	$2,564	$1,637
Valuation allowance	$(24,129)	$(24,326)	$(16,646)
Total income tax expense (benefit)	$-	$-	$(3,329)

Current Income Tax

Federal and state income taxes are generally a function of the level of taxable income recognized by the TRS. The Company was formed on December 1, 2015. The tax return for the December 1 through December 31, 2015 tax year was audited with no changes by the Internal Revenue Service. All subsequent tax return years are open for audit.

Deferred Taxes

Deferred income tax is generally a function of the period's temporary differences (primarily basis differences between tax and financial reporting for assets and liabilities) and the generation of tax net operating losses that may be realized in future periods depending on sufficient taxable income.

The Company applies the rules of ASC 740-10, Accounting for Uncertainty in Income Taxes, for uncertain tax positions using a "more likely than not" recognition threshold for tax positions. Pursuant to these rules, the Company will initially recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits of the tax position, that such a position will be sustained upon examination by the relevant tax authorities. If the tax benefit meets the "more likely than not" threshold, the measurement of the tax benefit will be based on the estimate of the ultimate tax benefit to be sustained if audited by the taxing authority.

The components of deferred tax assets and liabilities as of December 31, 2022 and 2021 were as follows (amounts in thousands):

	December 31, 2022	**December 31, 2021 (Unaudited)**
Net operating loss carryforward	$14,804	$18,531
Professional/ general liability reserve	7,487	7,375
Straight-line rent	14,708	13,348
Accounts receivable	2,224	1,951
Other	1,207	4,278
Deferred tax asset	40,431	45,483
Valuation allowance	(24,129)	(24,327)
Deferred tax asset, net	16,302	21,156
Fixed assets	(11,560)	(16,737)
Intangible assets	(2,067)	(1,952)
Other	(2,676)	(2,467)
Deferred tax liability	(16,302)	(21,156)
Deferred tax liability, net	$-	$-

The Company has no unrecognized tax assets or liabilities as of December 31, 2022 and 2021. It assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. As of December 31, 2022, the deferred tax asset includes $14.8 million related to net operating loss carryforwards that can be used to offset taxable income in future periods. This included pre 2018 net operating loss tax benefit of $1.3 million that will expire in years 2036-2037 and post 2017 benefit $13.5 million which can be carried forward indefinitely, but the deductions are limited to 80 percent of taxable income. A valuation allowance is established if the Company believes it is more likely than not that all or a portion of the deferred tax assets are not realizable. As of December 31, 2022 and 2021, the Company's valuation allowance reserves the net deferred tax assets not anticipated to be realized in the future. The Company will continue to monitor industry and economic conditions, and the ability to generate taxable income based on the Company's business plan and available tax planning strategies, which would allow the Company to utilize the tax benefits of the net deferred tax assets and thereby allow the Company to reverse all, or a portion of the valuation allowance in the future.

10. Redeemable Noncontrolling Interests

As of December 31, 2022 and 2021, the Company holds a 96.2% and 95.9%, respectively, of the outstanding equity interests of Trilogy Investors. As of December 31, 2022 and 2021, certain members of Trilogy Investors' management and certain members of an advisory committee to Trilogy Investors' board of directors owned approximately 3.8% and 4.1%, respectively, of the outstanding equity interests of Trilogy Investors. The noncontrolling interests held by such members have redemption features outside of the Company's control and are accounted for as redeemable noncontrolling interests in the Company's accompanying consolidated balance sheets.

The Company records the carrying amount of redeemable noncontrolling interests at the greater of: (i) the initial carrying amount, increased or decreased for the noncontrolling interests' share of net income or loss and distributions or (ii) the redemption value. The changes in the carrying amount of redeemable noncontrolling interests consisted of the following for the years ended December 31, 2022 and 2021 (amounts in thousands):

	For the Years Ended	
	December 31, 2022	December 31, 2021 (Unaudited)
Beginning Balance	$43,356	$40,338
Additional redeemable noncontrolling interests	-	8,165
Reclassification from equity	83	5,923
Distributions	(1,675)	(1,293)
Repurchase of redeemable noncontrolling interests	(3,707)	(8,429)
Adjustment to redemption value	14,127	(866)
Net (loss) income attributable to redeemable noncontrolling interests	1,934	(482)
Ending Balance	$54,118	$43,356

11. Members' Equity

Units

The Company's capital is comprised of membership interest units ("Units"). Each Member is entitled to one vote per each Unit on all matters submitted to a vote. Holders of Units who are not admitted as a Member do not have the right to vote. Members will vote together with other Members as a single class on all matters. Distributions of cash are provided to holders of Units pro rata in proportion to their respective Units within thirty (30) days of the end of each fiscal quarter or on a more frequent basis as determined by the Company's manager. In the event of any liquidation, dissolution or winding up, whether voluntary or involuntary, the Company's funds and assets that may be legally distributed to its unitholders will be distributed among the holders of the then-outstanding Units pro rata in proportion to their respective Units.

The Company had 777,634 shares issued and outstanding as of December 31, 2022. There are no other classes of Units or membership interests in the Company. For the years ended December 31, 2022, 2021 and 2020, the Company did not issue any additional Units.

Noncontrolling Interests in Total Equity

Profit Interest
In connection with the Trilogy Acquisition, profit interest units in Trilogy Investors ("Profit Interests") were issued to Trilogy Management Services, LLC and an independent director of Trilogy Investors, both unaffiliated third parties that manage or direct the day-to-day operations of Trilogy Investors. The profit interest units are not entitled to any voting rights. The profit interest units have a right to receive distributions funded solely by the profits of the Company which are generated after the grant date. Each holder of a profit interest unit shall be entitled to participate in operating and liquidating distributions only after cumulative distributions equal the distribution hurdle applicable to such profit interests unit. The distribution hurdle shall be adjusted for future equity contributions and distributions to the common unit holders.

The Profit Interests consist of time-based or performance-based commitments. The time-based Profit Interests were measured at their grant date fair value and vest in increments of 20.0% on each anniversary of the respective grant date over a five year period. The Company amortized the time-based Profit Interests on a straight-line basis over the vesting periods, which are recorded to general and administrative in the Company's accompanying consolidated statements of operations. The performance-based Profit Interests are subject to a performance commitment and vest upon liquidity events as defined in the Profit Interests agreements. The performance-based Profit Interests were measured at their fair value on the adoption date of ASU 2018-07 using a modified retrospective approach. The nonvested awards are presented as noncontrolling interests in total equity in the Company's accompanying consolidated balance sheets, and are re-classified to redeemable noncontrolling interests upon vesting as they have redemption features outside of the Company's control similar to the common units held by Trilogy Investors' management. See Note 10, Redeemable Noncontrolling Interests, for a further discussion.

In December 2021, the Company redeemed a part of the time-based Profit Interests, and all of the performance-based Profit Interests that were included in noncontrolling interests in total equity. The Company redeemed such Profit Interests for \$16.5 million, which was paid \$8.7 million in cash and \$7.9 million through the issuance of additional equity interests in Trilogy Investors that are classified as redeemable noncontrolling interests in the Company's consolidated balance sheets. There were no canceled, expired or exercised Profit Interests during the year ended December 31, 2020. For the years ended December 31, 2022, 2021 and 2020, the Company recognized stock compensation expense (benefit) related to the Profit Interests of \$83 thousand, \$8.8 million and \$(1.3) million, respectively, within the general and administrative line item.

Preferred Shares
One of the Company's wholly owned subsidiaries, Trilogy REIT, issued non-voting preferred shares of beneficial interests to qualified investors for total proceeds of \$125 thousand. These preferred shares of beneficial interests are entitled to receive cumulative preferential cash dividends at the rate of 12.5% per annum. The Company classifies the value of the subsidiary's preferred shares of beneficial interests as noncontrolling interests in the Company's accompanying consolidated balance sheets and the dividends of the preferred shares of beneficial interests in net income or loss attributable to noncontrolling interests in the Company's accompanying consolidated statements of operations.

12. Fair Value Measurements

Assets and Liabilities Reported at Fair Value
The Company follows the provisions of the authoritative guidance for fair value measurements, which addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under GAAP.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance related to fair value measures establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of input that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

There were no assets or liabilities measured at fair value on a recurring basis as of December 31, 2022.

The table below presents the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2021, aggregated by the level in the fair value hierarchy within which those measurements fall (amounts in thousands):

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1) (Unaudited)	Significant Other Observable Inputs (Level 2) (Unaudited)	Significant Unobservable Inputs (Level 3) (Unaudited)	Total (Unaudited)
Liabilities:				
Management warrants	$ -	$ -	$ (786)	$ (786)
Total liabilities at fair value	$ -	$ -	$ (786)	$ (786)

The Company's policy is to recognize transfers between levels as of the end of the reporting period. There were no significant transfers between levels two and three during the year ended December 31, 2022 and 2021.

Management warrants
All outstanding warrants were redeemed and converted to Trilogy Investors' common units valued at $16 per unit during September 2022. As of December 31, 2021 and 2020, the Company has recorded $0.8 million and $1 million, respectively, related to warrants in Trilogy Investors common units held by certain members of Trilogy Investors' management, which are included in accrued expenses and other current liabilities in the consolidated balance sheets. Once exercised, these warrants have redemption features similar to the common units held by members of Trilogy Investors' management. See Note 10, Redeemable Noncontrolling Interests, for a further discussion. As of December 31, 2021 and 2020, the carrying value is a reasonable estimate of fair value.

The change in liabilities measured at fair value for which the Company uses Level 3 inputs to determine fair value are as follows (amounts in thousands):

	For the Years Ended December 31,		
	2022	2021 (Unaudited)	2020 (Unaudited)
Balance as of beginning of period	$(786)	$(1,025)	$(1,178)
Settlements	786	239	-
Realized and unrealized gains (losses), net	-	-	153
Balance as of end of period	$-	$ (786)	$(1,025)

Financial Instruments Disclosed at Fair Value
The Company considers the carrying values of cash and cash equivalents, restricted cash, accounts receivable and accounts payable and accrued liabilities to approximate the fair value for these financial instruments based upon an evaluation of the underlying characteristics, market data and because of the short period of time between origination of the instruments and their expected realization. The fair values of the other financial instruments are classified in Level 2 of the fair value hierarchy.

The fair values of the Company’s long-term debt and lines of credit are estimated using discounted cash flow analyses using borrowing rates available to the Company for debt instruments with similar terms and maturities. The Company has determined that the valuations of the long-term debt and lines of credit are classified in Level 2 within the fair value hierarchy. The carrying amounts and estimated fair values of such financial instruments as of December 31, 2022 and 2021 were as follows (amounts in thousands):

	December 31, 2022		December 31, 2021 (Unaudited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities:				
Long-term debt	$818,771	$693,324	$711,502	$671,632
Lines of credit	$316,734	$322,779	$304,734	$304,897

13. Leases and Financing Obligations

Lessor

The Company has operating leases with tenants that expire at various dates through 2028. For the years ended December 31, 2022, 2021 and 2020, the Company recognized $2.2 million, $2 million and $1.8 million of revenues related to operating lease payments, respectively. The following table sets forth the undiscounted cash flows for future minimum base rents due under operating leases for leases in effect for properties wholly owned for the year ended December 31, 2022 and for each of the next five years ending December 31 and thereafter (amounts in thousands):

Year	Amount
2023	$2,029
2024	1,308
2025	514
2026	372
2027	136
Thereafter	153
Total	$ 4,512

Lessee

The Company leases certain land, buildings, furniture, and fixtures. The Company has lease agreements with lease and non-lease components, which are generally accounted for separately. Most leases include one or more options to renew, with renewal terms that generally can extend at various dates through 2087, excluding extension options. The exercise of lease renewal options is at the Company’s discretion. Certain leases also include options to purchase the leased property.

The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. Certain lease agreements include rental payments that are adjusted periodically based on Consumer Price Index and may also include other variable lease costs (i.e., common area maintenance, property taxes and insurance). The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The components of lease costs were as follows (amounts in thousands):

Lease Cost	Classification	2022	2021 (Unaudited)	2020 (Unaudited)
Operating lease cost				
Fixed expenses	Operating expenses	$25,156	$18,337	$27,249
Variable expenses	Operating expenses	3,282	3,116	3,767
Finance lease cost				
Amortization of leased assets	Depreciation and amortization	57	1,447	1,891
Interest on lease liabilities	Interest expense, net	14	384	609
Sublease Income	Resident fees and services	(269)	(123)	-
Net lease cost		$28,240	$23,161	$33,516

Other information related to leases was as follows (amounts in thousands):

Lease Term and Discount Rate	2022	2021 (Unaudited)	2020 (Unaudited)
Weighted-average remaining lease term (years)			
Operating leases	9.33	10.64	11.01
Finance leases	2.33	3.34	1.30
Weighted-average discount rate			
Operating leases	5.65%	5.42%	5.76%
Finance leases	7.66%	7.68%	5.62%

Operating Leases

The following table sets forth the undiscounted cash flows of the Company's scheduled obligations for future minimum payments for each of the next five years ended December 31 and thereafter, as well as the reconciliation of those cash flows to operating lease liabilities (amounts in thousands):

Year	Amount
2023	$36,128
2024	35,551
2025	35,522
2026	35,988
2027	36,613
Thereafter	151,717
Total	$331,519
Less: interest	76,701
Present value of net minimum lease payments	$254,818

Financing Leases

The following table sets forth the undiscounted cash flows of the Company's scheduled obligations for future minimum payments for each of the next five years ending December 31 and thereafter, as well as a reconciliation of those cash flows to finance lease liabilities (amounts in thousands):

Year	Amount
2023	$61
2024	75
2025	31
2026	-
2027	-
Thereafter	-
Total future value of minimum lease payments	$167
Less: amount representing interest	17
Present value of net minimum lease payments	$150

Financing Obligations

Future financing obligation payments below are based on the Company's intended exercise of finance obligation purchase options. A purchase option is available to the Company dated July 2029. This is included in the respective year in the obligation table below as opposed to the contractual term. The following table sets forth the undiscounted cash flows of the Company's scheduled obligations for future minimum payments for each of the next five years ending December 31 and thereafter, as well as a reconciliation of those cash flows to finance obligation liabilities (amounts in thousands):

Year	Amount
2023	$3,439
2024	2,940
2025	2,182
2026	2,027
2027	1,705
Thereafter	14,997
Total financing obligation payments	$27,290
Less: interest	4,934
Present value of financing obligation liabilities	$22,356

On March 3, 2021, the Company exercised the purchase option for a leased facility located in Muncie, Indiana. The total contract price was $7.4 million. The transaction was financed using borrowings against the Company's line of credit.

In July 2021, the Company sold its Citation property to Oakbrook Properties LLC and leased it back, while retaining the control of the property, resulting in a failed sale leaseback. The lease agreement included a finance obligation for $15.5 million to be exercised between 2028 and 2029. Simultaneously, the Company purchased the Lowell property from Oakbrook Properties LLC. in exchange for sale of the Citation property. The Company recorded the acquisition of the Lowell property along with a financing obligation related to the Citation property. No cash consideration was exchanged as part of the transaction.

On May 20, 2022, the Company exercised the purchase option for a facility located in Pickerington, Indiana. The total cash consideration was $10.6 million and was financed with a bridge loan. See acquisitions activity in Note 3 and long-term debt in Note 7.

14. Commitments and Contingencies

The Company is party to various legal matters arising in the ordinary course of business including patient-care related claims and litigation. The Company believes that the resolution of such matters will not result in a liability materially in excess of liabilities recorded with respect to such matters.

The Company has purchased insurance related to general and professional and workers' compensation liabilities up to certain per occurrence and annual aggregate deductible limits. Insurance coverage levels fluctuate by year as certain insurance plans are purchased and coverage is based on the claim made date. The liability represents the estimated ultimate cost of all asserted and unasserted claims incurred through the consolidated balance sheet date. The reserve for unpaid losses and loss adjustment expenses is estimated using individual case-based valuations, statistical analyses, and independent actuary calculations.

The professional liability and workers' compensation balances as of December 31, are as follows (amounts in thousands):

	December 31, 2022	December 31, 2021 (Unaudited)
Current reserve for professional liability	$ 11,956	$ 11,761
Current reserve for workers' compensation	3,176	2,895
Long-term reserve for professional liability	22,149	19,200
Long-term reserve for workers' compensation	2,558	2,531
Current insurance recoveries receivable for professional liability	2,092	2,301
Current insurance recoveries receivable for workers' compensation	190	213
Long-term insurance recoveries receivable for professional liability	2,453	2,520
Long-term insurance recoveries receivable for workers' compensation	212	222

The provision for professional liability expense for the years ended December 31, 2022, 2021 and 2020 was $12.6 million, $11.9 million and $11.7 million, respectively, and is included in cost of services on the consolidated statements of operations. The provision for workers' compensation expense for the years ended December 31, 2022, 2021 and 2020 was $6 million, $6 million and $4.9 million, respectively, and is included in cost of services on the consolidated statements of operations.

The Company has purchased insurance related to professional liability risks and workers' compensation risks for the year ended December 31, 2022 as follows (amounts in thousands):

	General and Professional Liability	Workers' Compensation
Self-insured retention per occurrence	$100-$500	$250-$500
Employer's liability maximum limit	-	$3,900
Excess/umbrella liability insurance	$35,000	-

The Company maintains a self-funded medical insurance plan maintained for all full-time and part-time employees and their eligible dependents, subject to eligibility requirements. The amounts funded by the Company are based upon medical claims processed and submitted for payment on a monthly basis by a third-party administrator. For the years ended December 31, 2022 and 2021, a stop-loss liability insurance policy (reinsurance) had been purchased that reimbursed the Company for individual participant claims incurred in excess of $500 thousand and $250 thousand, respectively. The reserve for medical insurance as of December 31, 2022 and 2021 was $4 million and $3.1 million, which is included in accrued salaries and payroll on the consolidated balance sheet. Medical claims expense for the years ended December 31, 2022, 2021 and 2020 approximated $37.6 million, $38.1 million and $37.2 million, respectively, and is included in operating expenses on the consolidated statements of operations.

15. Related Party Transactions

Multiple executive officers are also executive officers and holders of direct interest in Trilogy Management Services, LLC ("TMS"). As of December 1, 2015, Trilogy Investors entered into a management agreement with TMS to manage, supervise, direct and control the day-to-day business activities and affairs of Trilogy Investors. TMS employs all personnel necessary for the operation and administration of Trilogy Investors.

The following table represents the TMS balances included in the Company's consolidated balance sheets as of December 31, 2022 and 2021 and consolidated statements of operations for the years ended December 31, 2022, 2021 and 2020 (amounts in thousands):

Consolidated Balance Sheets

	December 31, 2022	December 31, 2021 (Unaudited)
Other current assets	$-	$2,098
Workers' compensation receivable*	402	435
Total receivable from TMS	$402	$2,533
Accrued expenses and other current liabilities	$2,401	$-
Accrued salaries and payroll	34,265	26,418
Workers' compensation liability**	5,734	5,426
Total TMS employee reimbursed liabilities	$42,400	$31,844

Consolidated Statements of Operations

	For the Years Ended December 31,		
	2022	2021 (Unaudited)	2020 (Unaudited)
Salaries, wages and benefits	$670,668	$556,119	$536,348
Management fees***	59,612	53,722	38,805
Total TMS expenses	$730,280	$609,841	$575,153

*Included in insurance receivable and long-term insurance receivable in the consolidated balance sheets.

**Included in current reserves and long-term reserves and other liabilities in the consolidated balance sheets.

***Included in cost of services in the consolidated statements of operations.

On December 31, 2016, the Company entered into a promissory note from a joint venture partner for $10 million. The promissory note is included in other current assets on the consolidated balance sheet as of December 31, 2021. As of December 31, 2021, the unpaid principal and accrued interest balances was approximately $13.9 million. The interest rate on the note was 7.35%. On August 1, 2022, the note receivable was a component of the consideration paid for the acquisition of the remaining 50% interest in RHS for a total amount of $14.1 million, including accumulated interest of $4.1 million. See Note 4, Business Combinations.

In October 2019, the Company acquired an airplane with a contract purchase price of $2.8 million and incurred acquisition and tax costs of $0.2 million. In April 2020, the Company entered into an ownership agreement where the Company and a member of the Board own 75% and 25% of the plane, respectively. In May 2020, the Company and the Board member entered into a financing obligation agreement totaling $2.5 million. As of December 31, 2022, the unpaid principal balance of the financing obligation from the board member amounted to $0.6 million.

16. Subsequent Events

The following are subsequent events occurring after the year-ended date of December 31, 2022 and before the date the financial statements were available to be issued.

On January 31, 2023, Trilogy Investors redeemed 987,716 of its common units from an individual common unit holder at $16 per unit. Trilogy Investors also amended its operating agreement to modify the repurchase option for the same common unit holder that establishes a $17 per unit repurchase price that can be exercised by this common unit holder no sooner than January 1, 2024.

On February 15, 2023, the Company acquired the remaining 60% interest in its equity method investment Memory Care Partners, LLC ("MCP") that operates two senior health facilities from a related party for a purchase price of $0.9 million. The Company subsequently acquired a leased senior health campus, The Legacy at English Station from the lessor for $11 million.

Management has performed an analysis of the activities and transactions subsequent to December 31, 2022 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2022. Management has performed the analysis through February 28, 2023, the date the financial statements were available to be issued.

Trilogy REIT Holdings, LLC
Schedule III – Real Estate and Accumulated Depreciation
December 31, 2022

			Initial Cost to Company			Gross Amount of Which Carried at Close of Period					
Description(a)		**Encumbrances**	**Land**	**Buildings and Improvements**	**Cost Capitalized Subsequent to Acquisition (b)**	**Land**	**Buildings and Improvements**	**Total(e)**	**Accumulated Depreciation (f)(g)**	**Date of Construction**	**Date Acquired**
Homewood Health Campus	Lebanon, IN	$ 8,577,000	$ 973,000	$ 9,702,000	$ 1,094,000	$ 1,044,000	$ 10,725,000	$ 11,769,000	$ (2,002,000)	2000	12/1/2015
Ashford Place Health Campus	Shelbyville, IN	5,835,000	664,000	12,662,000	1,297,000	854,000	13,769,000	14,623,000	(2,656,000)	2004	12/1/2015
Mill Pond Health Campus	Greencastle, IN	6,905,000	1,576,000	8,124,000	581,000	1,629,000	8,651,000	10,280,000	(1,651,000)	2005	12/1/2015
St. Andrews Health Campus	Batesville, IN	4,356,000	552,000	8,213,000	669,000	758,000	8,676,000	9,434,000	(1,680,000)	2005	12/1/2015
Hampton Oaks Health Campus	Scottsburg, IN	6,133,000	720,000	8,145,000	753,000	845,000	8,773,000	9,618,000	(1,751,000)	2006	12/1/2015
Forest Park Health Campus	Richmond, IN	6,697,000	535,000	9,399,000	606,000	639,000	9,902,000	10,541,000	(1,964,000)	2007	12/1/2015
The Maples at Waterford Crossing	Goshen, IN	5,681,000	344,000	8,027,000	690,000	350,000	8,710,000	9,060,000	(1,521,000)	2006	12/1/2015
Morrison Woods Health Campus	Muncie, IN	(c)	1,903,000	21,806,000	1,279,000	1,922,000	23,066,000	24,988,000	(3,311,000)	2008/2022	12/01/2015, 09/14/2016 and 03/03/2021
Woodbridge Health Campus	Logansport, IN	8,122,000	228,000	11,812,000	385,000	262,000	12,163,000	12,425,000	(2,333,000)	2003	12/1/2015
Bridgepointe Health Campus	Vincennes, IN	6,955,000	747,000	7,469,000	1,968,000	901,000	9,283,000	10,184,000	(1,594,000)	2002/2022	12/1/2015
Greenleaf Living Center	Elkhart, IN	11,134,000	492,000	12,157,000	1,023,000	521,000	13,150,000	13,671,000	(2,432,000)	2000	12/1/2015
Forest Glen Health Campus	Springfield, OH	9,712,000	846,000	12,754,000	928,000	921,000	13,607,000	14,528,000	(2,618,000)	2007	12/1/2015
The Meadows of Kalida Health Campus	Kalida, OH	7,691,000	298,000	7,628,000	291,000	308,000	7,909,000	8,217,000	(1,493,000)	2007	12/1/2015
The Heritage	Findlay, OH	12,701,000	1,312,000	13,475,000	539,000	1,440,000	13,886,000	15,326,000	(2,695,000)	1975	12/1/2015
Genoa Retirement Village	Genoa, OH	8,093,000	881,000	8,113,000	759,000	926,000	8,828,000	9,754,000	(1,736,000)	1985	12/1/2015
Waterford Crossing	Goshen, IN	7,852,000	344,000	4,381,000	959,000	349,000	5,335,000	5,684,000	(1,037,000)	2004	12/1/2015
St. Elizabeth Healthcare	Delphi, IN	8,644,000	522,000	5,463,000	5,413,000	643,000	10,755,000	11,398,000	(1,901,000)	1986	12/1/2015
Cumberland Pointe	West Lafayette, IN	9,160,000	1,645,000	13,696,000	726,000	1,905,000	14,162,000	16,067,000	(3,013,000)	1980	12/1/2015
Franciscan Healthcare Center	Louisville, KY	10,273,000	808,000	8,439,000	1,855,000	910,000	10,192,000	11,102,000	(2,117,000)	1975	12/1/2015
Blair Ridge Health Campus	Peru, IN	7,503,000	734,000	11,648,000	738,000	773,000	12,347,000	13,120,000	(2,696,000)	2001	12/1/2015
Glen Oaks Health Campus	New Castle, IN	5,002,000	384,000	8,189,000	247,000	413,000	8,407,000	8,820,000	(1,547,000)	2011	12/1/2015
Covered Bridge Health Campus	Seymour, IN	(c)	386,000	9,699,000	831,000	45,000	10,871,000	10,916,000	(2,055,000)	2002	12/1/2015
Stonebridge Health Campus	Bedford, IN	9,615,000	1,087,000	7,965,000	678,000	1,144,000	8,587,000	9,731,000	(1,684,000)	2004	12/1/2015
RiverOaks Health Campus	Princeton, IN	14,330,000	440,000	8,953,000	1,450,000	472,000	10,371,000	10,843,000	(1,835,000)	2004	12/1/2015
Park Terrace Health Campus	Louisville, KY	(c)	2,177,000	7,626,000	1,298,000	2,177,000	8,924,000	11,101,000	(1,850,000)	1977	12/1/2015
Cobblestone Crossing	Terre Haute, IN	(c)	1,462,000	13,860,000	5,722,000	1,510,000	19,534,000	21,044,000	(3,615,000)	2008	12/1/2015
Creasy Springs Health Campus	Lafayette, IN	15,871,000	2,111,000	14,337,000	6,072,000	2,431,000	20,090,000	22,521,000	(3,724,000)	2010	12/1/2015
Avalon Springs Health Campus	Valparaiso, IN	17,263,000	1,542,000	14,107,000	179,000	1,575,000	14,254,000	15,829,000	(2,696,000)	2012	12/1/2015
Prairie Lakes Health Campus	Noblesville, IN	8,716,000	2,204,000	13,227,000	493,000	2,342,000	13,581,000	15,923,000	(2,612,000)	2010	12/1/2015
RidgeWood Health Campus	Lawrenceburg, IN	13,545,000	1,240,000	16,118,000	353,000	1,261,000	16,450,000	17,711,000	(3,023,000)	2009	12/1/2015
Westport Place Health Campus	Louisville, KY	(c)	1,245,000	9,946,000	445,000	1,262,000	10,374,000	11,636,000	(1,867,000)	2011	12/1/2015
Paddock Springs	Warsaw, IN	13,195,000	488,000	-	10,602,000	654,000	10,436,000	11,090,000	(1,140,000)	2019	2/14/2019
Amber Manor Care Center	Petersburg, IN	5,508,000	446,000	6,063,000	516,000	515,000	6,510,000	7,025,000	(1,300,000)	1990	12/1/2015
The Meadows of Leipsic Health Campus	Leipsic, OH	(c)	1,242,000	6,988,000	779,000	1,317,000	7,692,000	9,009,000	(1,541,000)	1986	12/1/2015
Springview Manor	Lima, OH	(c)	260,000	3,968,000	502,000	300,000	4,430,000	4,730,000	(831,000)	1978	12/1/2015
Willows at Bellevue	Bellevue, OH	16,169,000	587,000	15,575,000	1,214,000	790,000	16,586,000	17,376,000	(3,197,000)	2008	12/1/2015
Briar Hill Health Campus	North Baltimore, OH	(c)	673,000	2,688,000	484,000	752,000	3,093,000	3,845,000	(676,000)	1977	12/1/2015
Cypress Pointe Health Campus	Englewood, OH	(c)	921,000	10,291,000	10,371,000	1,690,000	19,894,000	21,584,000	(2,657,000)	2010	12/1/2015

The Oaks at Nor thPointe Woods	Battle Creek, MI	(c)	567,000	12,716,000	164,000	567,000	12,880,000	13,447,000	(2,393,000)	2008	12/1/2015
Westlake Health Campus	Commerce, MI	14,113,000	815,000	13,502,000	-9,000	547,000	13,761,000	14,308,000	(2,543,000)	2011	12/1/2015
Springhurst Hea lth Campus	Greenfield, IN	19,614,000	931,000	14,114,000	3,464,000	2,299,000	16,210,000	18,509,000	(3,665,000)	2007	12/01/2015 an d 05/16/2017
Glen Ridge Heal th Campus	Louisville, KY	(c)	1,208,000	9,771,000	2,469,000	1,333,000	12,115,000	13,448,000	(2,325,000)	2006	12/1/2015
St. Mary Health care	Lafayette, IN	5,171,000	348,000	2,710,000	283,000	393,000	2,948,000	3,341,000	(586,000)	1969	12/1/2015
The Oaks at Wo odfield	Grand Blanc, M I	(c)	897,000	12,270,000	380,000	1,128,000	12,418,000	13,546,000	(2,407,000)	2012	12/1/2015
Stonegate Healt h Campus	Lapeer, MI	(c)	538,000	13,159,000	309,000	702,000	13,303,000	14,005,000	(2,544,000)	2012	12/1/2015
Senior Living at Forest Ridge	New Castle, IN	(c)	204,000	5,470,000	278,000	325,000	5,627,000	5,952,000	(1,079,000)	2005	12/1/2015
River Terrace H ealth Campus	Madison, IN	(c)	-	13,378,000	4,271,000	76,000	17,574,000	17,650,000	(3,382,000)	2016	3/28/2016
St. Charles Heal th Campus	Jasper, IN	11,295,000	467,000	14,532,000	2,215,000	558,000	16,656,000	17,214,000	(3,102,000)	2000	06/24/2016 an d 06/30/2016
Bethany Pointe Health Campus	Anderson, IN	19,357,000	2,337,000	26,524,000	2,717,000	2,539,000	29,039,000	31,578,000	(5,579,000)	1999	6/30/2016
River Pointe He alth Campus	Evansville, IN	13,905,000	1,118,000	14,736,000	1,486,000	1,131,000	16,208,000	17,339,000	(3,247,000)	1999	6/30/2016
Waterford Place Health Campus	Kokomo, IN	14,720,000	1,219,000	18,557,000	2,276,000	1,772,000	20,281,000	22,053,000	(3,968,000)	2000/2022	6/30/2016
Autumn Woods Health Campus	New Albany, IN	(c)	1,016,000	13,414,000	1,862,000	1,048,000	15,244,000	16,292,000	(3,219,000)	2000	6/30/2016
Oakwood Healt h Campus	Tell City, IN	9,036,000	783,000	11,880,000	1,187,000	874,000	12,976,000	13,850,000	(2,768,000)	2000	6/30/2016
Cedar Ridge He alth Campus	Cynthiana, KY	(c)	102,000	8,435,000	3,607,000	205,000	11,940,000	12,145,000	(2,794,000)	2005	6/30/2016
Aspen Place He alth Campus	Greensburg, IN	9,367,000	980,000	10,970,000	896,000	1,212,000	11,634,000	12,846,000	(2,278,000)	2012	8/16/2016
The Willows at East Lansing	East Lansing, M I	16,186,000	1,449,000	15,161,000	1,495,000	1,496,000	16,609,000	18,105,000	(3,386,000)	2014	8/16/2016
The Willows at Howell	Howell, MI	(c)	1,051,000	12,099,000	6,676,000	1,158,000	18,669,000	19,827,000	(2,881,000)	2015	8/16/2016
The Willows at Okemos	Okemos, MI	7,419,000	1,171,000	12,326,000	799,000	1,210,000	13,086,000	14,296,000	(2,722,000)	2014	8/16/2016
Shelby Crossing Health Campus	Macomb, MI	17,010,000	2,533,000	18,440,000	2,224,000	2,614,000	20,583,000	23,197,000	(4,428,000)	2013	8/16/2016
Village Green H ealthcare Center	Greenville, OH	6,894,000	355,000	9,696,000	770,000	405,000	10,416,000	10,821,000	(1,956,000)	2014	8/16/2016
The Oaks at Nor thpointe	Zanesville, OH	(c)	624,000	11,665,000	1,078,000	722,000	12,646,000	13,368,000	(2,559,000)	2013	8/16/2016
The Oaks at Bet hesda	Zanesville, OH	4,502,000	714,000	10,791,000	835,000	812,000	11,527,000	12,339,000	(2,252,000)	2013	8/16/2016
White Oak Heal th Campus	Monticello, IN	(c)	1,005,000	13,207,000	24,000	1,005,000	13,231,000	14,236,000	(1,711,000)	2010	09/23/2016 an d 07/30/2020
Woodmont Heal th Campus	Boonville, IN	7,731,000	790,000	9,633,000	1,096,000	1,010,000	10,509,000	11,519,000	(2,194,000)	2000	2/1/2017
Silver Oaks Hea lth Campus	Columbus, IN	(c)	1,776,000	21,420,000	1,457,000	1,000	24,652,000	24,653,000	(4,795,000)	2001	2/1/2017
Thornton Terrac e Health Campu s	Hanover, IN	5,479,000	764,000	9,209,000	1,149,000	845,000	10,277,000	11,122,000	(2,025,000)	2003	2/1/2017
The Willows at Hamburg	Lexington, KY	11,409,000	1,740,000	13,422,000	714,000	1,775,000	14,102,000	15,877,000	(2,437,000)	2012	2/1/2017
The Lakes at M onclova	Monclova, OH	19,442,000	2,869,000	12,855,000	10,250,000	3,186,000	22,788,000	25,974,000	(3,163,000)	2013	12/1/2017
The Willows at Willard	Willard, OH	(c)	610,000	12,256,000	9,734,000	213,000	22,387,000	22,600,000	(3,537,000)	2012	2/1/2017
Westlake Health Campus — Co mmerce Villa	Commerce, MI	(c)	261,000	6,610,000	1,230,000	553,000	7,548,000	8,101,000	(1,209,000)	2017	11/17/2017
Orchard Grove Health Campus	Romeo, MI	27,814,000	2,065,000	11,510,000	17,996,000	3,454,000	28,118,000	31,572,000	(2,997,000)	2016	07/20/2018 an d 11/30/2017
The Meadows o f Ottawa	Ottawa, OH	-	695,000	7,752,000	985,000	728,000	8,703,000	9,431,000	(1,421,000)	2014	12/15/2017
Valley View He althcare Center	Fremont, OH	10,453,000	930,000	7,635,000	1,508,000	1,089,000	8,984,000	10,073,000	(1,100,000)	2017	7/20/2018
Novi Lakes Hea lth Campus	Novi, MI	12,395,000	1,654,000	7,494,000	2,705,000	1,702,000	10,150,000	11,852,000	(2,026,000)	2016	7/20/2018
The Willows at Fritz Farm	Lexington, KY	9,101,000	1,538,000	8,637,000	434,000	1,563,000	9,046,000	10,609,000	(1,069,000)	2017	7/20/2018
Trilogy Real Est ate Gahanna, LL C	Gahanna, OH	(c)	1,146,000	-	16,757,000	1,202,000	16,701,000	17,903,000	(932,000)	2020	11/13/2020
Oaks at Byron C enter	Byron Center, MI	14,343,000	2,000,000	-	15,854,000	2,193,000	15,661,000	17,854,000	(1,079,000)	2020	7/8/2020
Harrison Spring s Health Campu s	Corydon, IN	(c)	2,017,000	11,487,000	5,790,000	2,301,000	16,992,000	19,293,000	(1,236,000)	2016/2022	9/5/2019
The Cloister at S ilvercrest	New Albany, IN	(c)	139,000	634,000	1,000	139,000	635,000	774,000	(53,000)	1940	10/1/2019
Trilogy Healthc are of Ferdinand II, LLC	Ferdinand, IN	16,805,000	-	-	14,602,000	-	14,602,000	14,602,000	(1,161,000)	2019	11/19/2019
Forest Springs Health Campus	Louisville, KY	(c)	964,000	16,691,000	308,000	997,000	16,966,000	17,963,000	(1,154,000)	2015	7/30/2020
Gateway Spring s Health Campu s	Hamilton, OH	11,505,000	1,277,000	10,923,000	1,595,000	1,417,000	12,379,000	13,796,000	(675,000)	2020	12/28/2020
Orchard Pointe Health Campus	Kendallville, IN	10,883,000	1,806,000	9,243,000	6,000	1,806,000	9,249,000	11,055,000	(657,000)	2016	1/19/2021
The Meadows o f Delphos	Delphos, OH	9,184,000	2,345,000	8,150,000	49,000	2,345,000	8,199,000	10,544,000	(740,000)	2018	1/19/2021

The Springs of Lima	Lima, OH	10,597,000	2,397,000	9,638,000	18,000	2,397,000	9,656,000	12,053,000	(798,000)	2018	1/19/2021
Wooded Glen	Springfield, OH	14,224,000	2,803,000	11,928,000	9,000	2,803,000	11,937,000	14,740,000	(944,000)	2018	1/19/2021
The Lakes of Sy lvania	Sylvania, OH	19,189,000	2,548,000	15,059,000	48,000	2,566,000	15,088,000	17,654,000	(1,223,000)	2017	1/19/2021
The Glen	Union Township , OH	14,511,000	2,789,000	12,343,000	21,000	2,789,000	12,364,000	15,153,000	(940,000)	2018	1/19/2021
Harrison Trial H ealth Campus	Harrison, OH	15,632,000	1,750,000	17,114,000	76,000	2,048,000	16,892,000	18,940,000	(787,000)	2021	4/28/2021
The Oaks of Bel mont	Grand Rapids, MI	14,795,000	767,000	17,043,000	56,000	1,058,000	16,807,000	17,865,000	(866,000)	2021	3/13/2021
Cedar Creek He alth Campus	Lowell, IN	(c)	2,326,000	12,650,000	94,000	2,331,000	12,739,000	15,070,000	(486,000)	2014	7/7/2021
Hearthstone Hea lth Campus	Bloomington H S, IN	13,861,000	2,140,000	16,928,000	145,000	2,140,000	17,072,000	19,212,000	(211,000)	2014	8/1/2022
The Springs of Mooresville	Mooresville, IN	9,813,000	1,460,000	12,617,000	15,000	1,460,000	12,632,000	14,092,000	(149,000)	2016	8/1/2022
The Willows at Springhurst	Louisville, KY	20,800,000	1,876,000	12,595,000	-649,000	1,946,000	11,876,000	13,822,000	(336,000)	1979	1/3/2022
Lou SP Villas	Louisville, KY	(c)	1,184,000	6,483,000	-189,000	1,184,000	6,293,000	7,477,000	(181,000)	1979	1/3/2022
Silvercrest Healt h Center	New Albany SC , IN	21,626,000	1,920,000	24,965,000	127,000	1,920,000	25,092,000	27,012,000	(292,000)	2013	8/1/2022
Mt. Washington Development Pr oject	Mt. Washington	14,325,000	2,054,000	10,225,000	14,000	2,054,000	10,239,000	12,293,000	(213,000)	2020	4/29/2022
North River Hea lth Campus	Evansville NR, I N	17,100,000	2,614,000	15,031,000	56,000	2,614,000	15,087,000	17,701,000	(321,000)	2017	5/20/2022
Trilogy Healthc are of Jefferson II, LLC	Louisville, KY	14,175,000	2,265,000	14,077,000	44,000	2,265,000	14,121,000	16,386,000	(265,000)	2018	5/20/2022
The Willows at Harrodsburg	Harrodsburg, K Y	7,125,000	918,000	10,181,000	956,000	1,571,000	10,484,000	12,055,000	(221,000)	2018	5/20/2022
Pickerington He alth Campus	Pickerington, O H	13,053,000	860,000	15,574,000	1,000	860,000	15,575,000	16,435,000	(1,296,000)	2019	5/20/2022
		$ 827,197,000	$ 117,508,000	$1,112,248,000	$ 211,607,000	$ 127,206,000	$1,314,156,000	$1,441,362,000	$ (195,014,000)		

		Initial Cost to Company			Gross Amount of Which Carried at Close of Period					
Description(a)	Encumbranc es	Land	Buildings and Improvement s	Cost Capitalized Subsequent to Acquisition(b)	Land	Buildings and Improvement s	Total(e)	Accumulated Depreciation (f)(g)	Date of Construction	Date Acquired
Leased properties(d)	$ -	$ 1,130,000	$ 84,944,283	$ 148,146,717	$ 2,300,000	$ 231,921,000	$ 234,221,000	$ (118,839,000)		
Construction in progress	-	-	-	45,000	-	45,000	45,000	-		
	$ 827,197, 000	$ 118,638,000	$1,197,192,283	$ 359,798,717	$ 129,506,000	$1,546,122,000	$1,675,628,00 0	$ (313,853,000)		

(a) Trilogy Investors owns 100% of the properties as of December 31, 2022.
(b) The cost capitalized subsequent to acquisition is shown net of dispositions and impairments.
(c) These properties are used as collateral for the secured revolver portion of the RER Credit Agreement, which had an outstanding Balance of $317 million as of December 31, 2022.
(d) Represents furniture and equipment, land and improvements associated with properties under operating leases.
(e) The changes in total real estate for the year ended December 31, 2022 is as follows:

	Amount
Balance – December 31, 2021 (Unaudited)	$1,528,572,000
Acquisitions	150,609,000
Additions	40,873,000
Dispositions	(44,426,000)
Balance – December 31, 2022	$1,675,628,000

(f) The changes in accumulated depreciation for the year ended December 31, 2022 is as follows:

	Amount
Balance – December 31, 2021 (Unaudited)	$ (257,266,000)
Additions and acquisitions net of dispositions	(56,587,000)
Balance – December 31, 2022	$ (313,853,000)

(g) The cost of buildings is depreciated on a straight-line basis over the estimated useful lives of the buildings, which is generally 39 years, and the cost of leasehold improvements is depreciated over the shorter of the lease term or useful life, which generally ranges from three to 15 years. The cost of furniture and equipment is depreciated over the estimated useful life, which varies from three to 15 year