UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2015

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.)

399 Park Avenue, 18th Floor, New York, NY 10022
(Address of Principal Executive Offices, Including Zip Code)

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

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

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

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

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☒

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

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, 117,058,531 shares outstanding as of May 11, 2015.

NORTHSTAR HEALTHCARE INCOME, INC.

FORM 10-Q

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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 successfully complete our follow-on continuous, public offering, our ability to pay distributions to our stockholders, our reliance on our advisor and our sponsor, the operating performance of our investments, our financing needs, the effects of our current strategies and investment activities and our ability to effectively deploy capital. Our ability to predict results or the actual effect of plans or strategies is inherently uncertain, particularly given the economic environment. 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. These factors include, but are not limited to:

- adverse economic conditions and the impact on the real estate industry, including healthcare real estate;
- our ability to successfully raise capital in our follow-on continuous, public offering;
- our ability to deploy capital quickly and successfully and achieve a diversified portfolio consistent with our target asset classes;
- our dependence on the resources and personnel of our advisor, our sponsor and their affiliates, including our advisor’s ability to source and close on attractive investment opportunities on our behalf;
- the performance of our advisor, our sponsor and their affiliates;
- our liquidity and access to capital;
- our use of leverage;
- our ability to close on the recent commitments to acquire healthcare real estate investments on the terms contemplated or at all, and any related termination fees incurred to the extent such investments are not closed;
- our ability to make distributions to our stockholders;
- the lack of a public trading market for our shares;
- the effect of economic conditions on the valuation of our investments;
- the effect of paying distributions to our stockholders from sources other than cash flow provided by operations;
- the impact of NorthStar Realty Finance Corp.’s spin-off of its asset management business, which included our advisor;
- our advisor’s and its affiliates’ ability to attract and retain sufficient personnel to support our growth and operations;
- the impact of market and other conditions influencing the availability of equity versus debt investments and performance of our investments relative to our expectations and the impact on our actual return on invested equity, as well as the cash provided by these investments;
- changes in our business or investment strategy;
- the impact of economic conditions on the operators/tenants of the real property that we own as well as on borrowers of the debt we originate and acquire and the mortgage loans underlying the healthcare-related commercial mortgage backed securities in which we invest;
- changes in the value of our portfolio;
- our ability to realize current and expected returns over the life of our investments;

- any failure in our advisor’s and its affiliates’ due diligence to identify relevant facts during our underwriting process or otherwise;
- illiquidity of properties or debt investments in our portfolio;
- our ability to finance our assets on terms that are acceptable to us, if at all, including our ability to complete securitization financing transactions;
- environmental compliance costs and liabilities;
- whether we will realize the benefits of the long-term partnership between our sponsor and James F. Flaherty III, our Vice Chairman and potential conflicts that may arise in connection with his interest in American Healthcare Investors LLC;
- increased rates of loss or default and decreased recovery on our investments;
- the degree and nature of our competition;
- the effectiveness of our risk and portfolio management systems;
- failure to maintain effective internal controls and disclosure controls and procedures;
- regulatory requirements with respect to our business and the healthcare industry generally, as well as the related cost of compliance;
- legislative and regulatory changes, including changes to laws governing the taxation of real estate investment trusts, or REITs, and changes to laws affecting non-traded REITs and alternative investments generally;
- our ability to maintain our qualification as a REIT for federal income tax purposes and limitations imposed on our business by our status as a REIT;
- the loss of our exemption from registration under the Investment Company Act of 1940, as amended;
- availability of opportunities to acquire equity, debt and securities investments in the healthcare real estate sector;
- general volatility in capital markets;
- the adequacy of our cash reserves and working capital;
- our ability to raise capital in light of certain regulatory changes, including amendments to Rules 2340 and 2310 of the Financial Industry Regulatory Authority, Inc. and the Department of Labor’s recent proposal on a fiduciary standard for retirement accounts; and
- other risks associated with investing in our targeted investments, including changes in our industry, interest rates, the securities markets, the general economy or the capital markets and real estate markets specifically.

The foregoing list of factors is not exhaustive. All forward-looking statements included in this Quarterly Report on Form 10-Q 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 United States Securities and Exchange Commission, or the SEC, including Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and in Part II, Item 1A of this Quarterly Report on Form 10-Q under the heading “Risk Factors.” 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.

PART I. Financial Information
Item 1. Financial Statements

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

	March 31, 2015 (Unaudited)	December 31, 2014
Assets		
Cash	$ 465,982	$ 267,672
Restricted cash	6,742	8,706
Operating real estate, net	259,769	259,409
Investments in unconsolidated ventures (refer to Note 4)	213,678	215,175
Real estate debt investments, net	146,012	146,267
Receivables, net	3,570	10,161
Deferred costs and other assets, net	28,652	11,359
Total assets	$ 1,124,405	$ 918,749
Liabilities		
Mortgage notes payable	$ 169,750	$ 76,000
Due to related party	4,792	755
Escrow deposits payable	2,325	2,385
Distribution payable	6,380	4,794
Accounts payable and accrued expenses	7,622	2,830
Total liabilities	190,869	86,764
Commitments and contingencies		
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 March 31, 2015 and December 31, 2014	—	—
Common stock, $0.01 par value, 400,000,000 shares authorized, 111,829,668 and 97,971,587 shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively	1,118	980
Additional paid-in capital	999,796	875,205
Retained earnings (accumulated deficit)	(68,637)	(45,458)
Total NorthStar Healthcare Income, Inc. stockholders' equity	932,277	830,727
Non-controlling interests	1,259	1,258
Total equity	933,536	831,985
Total liabilities and equity	$ 1,124,405	$ 918,749

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)

(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Revenues		
Resident fee income	$ 3,848	$ 2,932
Rental income	3,906	1,032
Interest income	3,561	483
Total revenues	11,315	4,447
Expenses		
Property operating expenses	2,746	2,208
Interest expense	1,647	611
Transaction costs	1,416	1,680
Asset management and other fees - related party	2,714	2,166
General and administrative expenses (refer to Note 7)	2,877	521
Depreciation and amortization	1,685	699
Total expenses	13,085	7,885
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	(1,770)	(3,438)
Equity in earnings (losses) of unconsolidated ventures	(3,589)	—
Income tax benefit (expense)	345	—
Net income (loss)	(5,014)	(3,438)
Net (income) loss attributable to non-controlling interests	1	28
Net income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	$ (5,013)	$ (3,410)
Net income (loss) per share of common stock, basic/diluted	$ (0.05)	$ (0.22)
Weighted average number of shares of common stock outstanding, basic/diluted	109,371,002	15,550,724
Distributions declared per share of common stock	$ 0.17	$ 0.17

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR HEALTHCARE INCOME, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Dollars in Thousands)

(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Net income (loss)	$ (5,014)	$ (3,438)
Comprehensive income (loss)	(5,014)	(3,438)
Comprehensive (income) loss attributable to non-controlling interests	1	28
Comprehensive income (loss) attributable to NorthStar Healthcare Income, Inc.	$ (5,013)	$ (3,410)

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)	Total Company's Stockholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount					
Balance as of December 31, 2013	10,985	$ 110	$ 97,055	$ (3,872)	$ 93,293	$ 202	$ 93,495
Net proceeds from issuance of common stock	85,691	857	765,872	—	766,729	—	766,729
Issuance and amortization of equity-based compensation	8	—	60	—	60	—	60
Non-controlling interests - contributions	—	—	—	—	—	1,090	1,090
Shares redeemed for cash	(14)	—	(142)	—	(142)	—	(142)
Distributions declared	—	—	—	(26,641)	(26,641)	—	(26,641)
Proceeds from distribution reinvestment plan	1,302	13	12,360	—	12,373	—	12,373
Net income (loss)	—	—	—	(14,945)	(14,945)	(34)	(14,979)
Balance as of December 31, 2014	97,972	$ 980	$ 875,205	$ (45,458)	$ 830,727	$ 1,258	$ 831,985
Net proceeds from issuance of common stock	12,964	129	116,049	—	116,178	—	116,178
Amortization of equity-based compensation	—	—	29	—	29	—	29
Non-controlling interests - contributions	—	—	—	—	—	2	2
Shares redeemed for cash	(74)	(1)	(735)	—	(736)	—	(736)
Distributions declared	—	—	—	(18,166)	(18,166)	—	(18,166)
Proceeds from distribution reinvestment plan	968	10	9,248	—	9,258	—	9,258
Net income (loss)	—	—	—	(5,013)	(5,013)	(1)	(5,014)
Balance as of March 31, 2015 (unaudited)	111,830	$ 1,118	$ 999,796	$ (68,637)	$ 932,277	$ 1,259	$ 933,536

Refer to accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income (loss)	$ (5,014)	$ (3,438)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Equity in (earnings) losses of unconsolidated ventures	3,589	—
Depreciation and amortization	1,685	699
Straight-line rental income	(658)	(112)
Amortization of premium/accretion of discount on investments	67	—
Amortization of deferred financing costs	245	124
Amortization of equity-based compensation	29	13
Deferred income tax benefit	(226)	—
Distributions from unconsolidated ventures (refer to Note 4)	92	—
Changes in assets and liabilities:		
Restricted cash	(16)	(1,999)
Receivables, net	137	(115)
Other assets	(193)	(262)
Due to related party	3,352	(575)
Escrow deposits payable	67	857
Accounts payable and accrued expenses	836	1,970
Other liabilities	—	(129)
Net cash provided by (used in) operating activities	3,992	(2,967)
Cash flows from investing activities:		
Acquisition of operating real estate investments	(1,130)	(83,055)
Improvement of operating real estate investments	(856)	—
Origination of real estate debt investments	—	(14,637)
Acquisition of real estate debt investments	188	—
Investment in unconsolidated ventures (refer to Note 4)	(9,781)	—
Distributions from unconsolidated ventures (refer to Note 4)	7,597	—
Change in restricted cash	1,848	399
Other assets	(10,900)	1,046
Net cash provided by (used in) investing activities	(13,034)	(96,247)
Cash flows from financing activities:		
Borrowing from mortgage notes	93,750	41,500
Repayment of mortgage notes	—	(47)
Payment of deferred financing costs	(2,325)	(1,654)
Change in restricted cash	7	(160)
Net proceeds from issuance of common stock	123,976	89,585
Shares redeemed for cash	(736)	—
Distributions paid on common stock	(16,580)	(2,025)
Proceeds from distribution reinvestment plan	9,258	1,099
Contributions from non-controlling interests	2	917
Net cash provided by (used in) financing activities	207,352	129,215
Net increase (decrease) in cash	198,310	30,001
Cash - beginning of period	267,672	45,537
Cash - end of period	$ 465,982	$ 75,538

Refer to accompanying notes to consolidated financial statements.

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

(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Supplemental disclosure of non-cash investing and financing activities:		
Accrued cost of capital (refer to Note 7)	$ 770	$ 714
Subscriptions receivable, gross	889	1,360
Escrow deposits related to investments	2	266
Distribution payable	6,380	1,095
Accrued capital expenditures	58	—
Accrued acquisition fees - unconsolidated ventures	3,896	—

Refer to accompanying notes to consolidated financial statements.

1. Business and Organization

NorthStar Healthcare Income, Inc. (the “Company”) was formed to acquire, originate and asset manage a diversified portfolio of equity, debt and securities investments in healthcare real estate, directly or through joint ventures with a focus on the mid-acuity senior housing sector, predominantly in the United States, which the Company defines as assisted living (“ALF”), memory care (“MCF”), skilled nursing (“SNF”) and independent living (“ILF”) facilities that have an emphasis on private pay patients although many of these facilities may also rely on public pay patients. The Company also invests in equity and debt investments in other healthcare property types, including medical office buildings (“MOB”), continuing care retirement communities (“CCRC”), hospitals and rehabilitation facilities. The Company may also invest internationally. In addition, the Company may acquire healthcare-related securities. The Company was formed in October 2010 as a Maryland corporation and commenced operations in February 2013. The Company elected to be taxed as a real estate investment trust (“REIT”) under the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), commencing with the taxable year ended December 31, 2013. The Company conducts its operations so as to continue to qualify as a REIT for U.S. federal income tax purposes.

The Company’s equity investments are generally in the form of lease or management transactions whereby the Company purchases a property and enters into a long-term lease or management agreement with an operator responsible for contractual payments to the Company. The Company enters into structures permitted by the REIT Investment Diversification and Empowerment Act of 2007 (“RIDEA”), whereby it participates directly in the operational cash flow of a property. The Company’s debt investments generally consist of first mortgage loans, subordinate mortgages, mezzanine loans, preferred equity investments and participations in such investments.

The Company is externally managed and has no employees. Prior to June 30, 2014, the Company was managed by an affiliate of NorthStar Realty Finance Corp. (NYSE: NRF) (“NorthStar Realty”). Effective June 30, 2014, NorthStar Realty spun-off its asset management business into a separate publicly traded company, NorthStar Asset Management Group Inc. (NYSE: NSAM) (the “Sponsor”). The Sponsor and its affiliates provide asset management and other services to the Company, NorthStar Realty, other sponsored public non-traded companies and any other companies the Sponsor and its affiliates may manage in the future (collectively, the “NSAM Managed Companies”), both in the United States and internationally. Concurrent with the spin-off, affiliates of the Sponsor entered into a new advisory agreement with the Company and each of the other NSAM Managed Companies. Pursuant to the Company’s advisory agreement, NSAM J-NSHC Ltd, an affiliate of the Sponsor (the “Advisor”), agreed to manage the day-to-day operations of the Company on terms substantially similar to those set forth in the Company’s prior advisory agreement with NorthStar Healthcare Income Advisor, LLC (the “Prior Advisor”). References to the “Prior Advisor” herein refer to the services performed by and fees paid and accrued to the Prior Advisor during the period prior to June 30, 2014. The spin-off of NorthStar Realty’s asset management business had no impact on the Company’s operations.

Substantially all 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 the Prior Advisor and NorthStar Healthcare Income OP Holdings, LLC (the “Special Unit Holder”), each an affiliate of the Sponsor. The Prior Advisor invested $1,000 in the Operating Partnership in exchange for common units and the Special Unit Holder invested $1,000 in the Operating Partnership and was issued a separate class of limited partnership units (the “Special Units”), which are collectively recorded as non-controlling interests on the consolidated balance sheets as of March 31, 2015 and December 31, 2014. As the Company accepts subscriptions for shares, it contributes substantially all of the net proceeds from its continuous, public offering to the Operating Partnership as a capital contribution. As of March 31, 2015, the Company’s limited partnership interest in the Operating Partnership was 99.9%.

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

The Company initially registered to offer up to 100.0 million shares pursuant to its primary offering to the public (the “Initial Primary Offering”) and up to 10.5 million shares pursuant to its distribution reinvestment plan (the “Initial DRP”), which are herein collectively referred to as the Initial Offering. In December 2014, the board of directors of the Company authorized the reallocation of 8.6 million shares available under the Initial DRP to the Initial Primary Offering. On February 2, 2015, the Company successfully completed its Initial Offering by raising $1.1 billion.

On February 6, 2015, the Company's registration statement on Form S-11 was declared effective by the Securities and Exchange Commission (the "SEC") for a follow-on public offering (the "Follow-on Offering") of up to $700.0 million which includes up to $500.0 million in shares pursuant to its follow-on primary offering (the "Follow-on Primary Offering") and up to $200.0 million in shares pursuant to its follow-on distribution reinvestment plan (the "Follow-on DRP"). The Company reserves the right to reallocate shares of its common stock being offered between the Follow-on Primary Offering and the Follow-on DRP. The Company expects the Follow-on Offering to terminate on the earlier of two years following the effective date or once the maximum number of shares offered are sold. However, the board of directors may determine to terminate the Follow-on Offering at any time. The Company began raising capital from the Follow-on Offering at the end of February 2015.

The Initial Primary Offering and the Follow-On Primary Offering are collectively referred to as the Primary Offering and the Initial DRP and the Follow-on DRP are collectively referred to as the DRP. Additionally, the Primary Offering and the DRP are collectively referred to as the Offering.

The Company retained NorthStar Realty Securities, LLC (the "Dealer Manager"), formerly a subsidiary of NorthStar Realty that became a subsidiary of the Sponsor upon completion of the spin-off, to serve as the dealer manager for the Primary Offering.

On February 11, 2013, the Company commenced operations by satisfying the minimum offering requirement in its Initial Primary Offering as a result of NorthStar Realty purchasing 222,223 shares of common stock for $2.0 million. From inception through May 11, 2015, the Company raised total gross proceeds of $1.2 billion.

2. Summary of Significant Accounting Policies

Basis of Quarterly Presentation

The accompanying unaudited 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") for interim financial reporting and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and note disclosures normally included in the consolidated financial statements prepared under U.S. GAAP have been condensed or omitted. In the opinion of management, all adjustments considered necessary for a fair presentation of the Company's financial position, results of operations and cash flows have been included and are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, which was filed with the SEC.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, the Operating Partnership and their consolidated subsidiaries. The Company consolidates variable interest entities ("VIE"), if any, where the Company is the primary beneficiary and voting interest entities which are generally majority owned or otherwise controlled by the Company. All significant intercompany balances are eliminated in consolidation.

<u>Variable Interest Entities</u>

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. Significant 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, if any, to determine whether they are 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 March 31, 2015, the Company has not identified any VIEs related to its investments or financing.

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.

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, at fair value or the cost method.

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.

The Company may account for an investment in an unconsolidated entity at fair value by electing the fair value option. The Company may account for an investment that does not qualify for equity method accounting or for which the fair value option was not elected using the cost method if the Company determines the investment in the unconsolidated entity is insignificant. Under the cost method, equity in earnings is recorded as dividends are received to the extent they are not considered a return of capital, which is recorded as a reduction of cost of the 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.

Reclassifications

Certain prior period amounts have been reclassified in the consolidated financial statements to conform to current period presentation.

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").

Restricted Cash

Restricted cash consists of amounts related to operating real estate (escrows for taxes, insurance, capital expenditures, tenant/ operator security deposits, payments required under certain lease agreements) and loan origination (escrow deposits).

Operating Real Estate

The Company follows the purchase method for an acquisition of operating real estate, where the purchase price is allocated to tangible assets such as land, building, furniture and fixtures, improvements and other identified intangibles. 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 carried at historical cost less accumulated depreciation. Operating real estate is depreciated using the straight-line method over the estimated useful life of the assets. 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 development is substantially completed. Costs directly related to an acquisition deemed to be a business combination are expensed and included in transaction costs in the consolidated statements of operations. The Company evaluates whether a real estate acquisition constitutes a business and whether business combination accounting is appropriate.

Real Estate Debt Investments

Debt investments are generally intended to be held to maturity and, accordingly, are carried at cost, net of unamortized loan fees, premium, discount and unfunded commitments. Debt investments that are deemed to be impaired are carried at amortized cost less a loan loss reserve, if deemed appropriate, which approximates fair value. Debt investments where the Company does not have the intent to hold the loan for the foreseeable future or until its expected payoff are classified as held for sale and recorded at the lower of cost or estimated value.

Real Estate Securities

The Company classifies its securities investments as available for sale on the acquisition date, which are carried at fair value. Unrealized gains (losses) are recorded as a component of accumulated OCI in the consolidated statements of equity. However, the Company may elect the fair value option for certain of its available for sale securities, and as a result, any unrealized gains (losses) on such securities are recorded in unrealized gain (loss) on investments and other in the consolidated statements of operations.

Deferred Costs

Deferred costs include deferred financing costs and deferred lease costs. Deferred financing costs represent commitment fees, legal and other third-party costs associated with obtaining financing. These costs are amortized to interest expense over the term of the financing using either the effective interest method or straight-line method depending on the type of financing. Unamortized deferred financing costs are generally expensed when the associated borrowing is refinanced or repaid before maturity. Costs incurred in seeking financing transactions, which do not close, are expensed in the period such financing transaction was terminated. 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.

Acquisition Fees and Expenses

The total of all acquisition fees and expenses for an investment, including acquisition fees to the Advisor, cannot exceed, in the aggregate, 6.0% of the contract purchase price of such investment unless such excess is approved by a majority of the directors, including independent directors. For the three months ended March 31, 2015, total acquisition fees and expenses did not exceed the allowed limit for any investment. An acquisition fee incurred related to an equity investment will generally be expensed as incurred. An acquisition fee paid to the Advisor related to the acquisition of an equity or debt investment in an unconsolidated joint venture is included in investments in unconsolidated ventures on the consolidated balance sheets. An acquisition fee paid to the Advisor related to the origination or acquisition of debt investments is included in debt investments, net on the consolidated balance sheets and is amortized to interest income over the life of the investment using the effective interest method. The Company records as an expense certain acquisition costs and fees associated with transactions deemed to be business combinations in which it consolidates the asset and capitalizes these costs for transactions deemed to be acquisitions of an asset, including an equity investment.

Revenue Recognition

<u>Operating Real Estate</u>

Rental and escalation income from operating real estate is derived from leasing of space to various types of tenants and healthcare operators. The leases are for fixed terms of varying length and generally provide for annual rentals to be paid in monthly installments. Rental income from leases is recognized on a straight-line basis over the term of the respective leases. The excess of rent recognized over the amount contractually due pursuant to the underlying leases is included in receivables on the consolidated balance sheets. Escalation income represents revenue from tenant/operator leases which provide for the recovery of all or a portion of the operating expenses and real estate taxes paid by the Company on behalf of the respective property, as applicable. This revenue is accrued in the same period as the expenses are incurred.

The Company also generates operating income from healthcare properties under a RIDEA structure. Revenue related to healthcare properties includes resident room and care charges and other resident charges.

<u>Real Estate Debt Investments</u>

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 loan is reclassified to held for sale.

<u>Real Estate Securities</u>

Interest income is recognized using the effective interest method with any premium or discount amortized or accreted through earnings based on expected cash flow through the expected maturity date of the security. Changes to expected cash flow may result in a change to the yield which is then applied retrospectively for high-credit quality securities that cannot be prepaid or otherwise settled in such a way that the holder would not recover substantially all of the investment or prospectively for all other securities to recognize interest income.

Credit Losses and Impairment on Investments

<u>Operating Real Estate</u>

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 and 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 on operating real estate in the consolidated statements of operations.

An allowance for a doubtful account for a tenant/operator/resident receivable is established based on a periodic review of aged receivables resulting from estimated losses due to the inability of tenant/operator/resident to make required rent and other payments contractually due. Additionally, the Company establishes, on a current basis, an allowance for future tenant/operator/resident credit losses on unbilled rent receivable based on an evaluation of the collectability of such amounts.

Real Estate Debt Investments

Loans are considered impaired when, based on current information and events, it is probable that the Company will not be able to collect principal and interest amounts due according to the contractual terms. The Company assesses the credit quality of the portfolio and adequacy of loan loss reserves on a quarterly basis or more frequently as necessary. Significant judgment of the Company is required in this analysis. The Company considers the estimated net recoverable value of the loan as well as other factors, including but not limited to the fair value of any collateral, the amount and the status of any senior debt, the quality and financial condition of the borrower and the competitive situation of the area where the underlying collateral is located. Because this determination is based on projections of future economic events, which are inherently subjective, the amount ultimately realized may differ materially from the carrying value as of the balance sheet date. If upon completion of the assessment, the estimated fair value of the underlying collateral is less than the net carrying value of the loan, a loan loss reserve is recorded with a corresponding charge to provision for loan losses. The loan loss reserve for each loan is maintained at a level that is determined to be adequate by management to absorb probable losses.

Income recognition is suspended for a loan at the earlier of the date at which payments become 90-days past due or when, in the opinion of the Company, a full recovery of income and principal becomes doubtful. When the ultimate collectability of the principal of an impaired loan is in doubt, all payments are applied to principal under the cost recovery method. When the ultimate collectability of the principal of an impaired loan is not in doubt, contractual interest is recorded as interest income when received, under the cash basis method until an accrual is resumed when the loan becomes contractually current and performance is demonstrated to be resumed. A loan is written off when it is no longer realizable and/or legally discharged. As of March 31, 2015, the Company did not have any impaired real estate debt investments.

Real Estate Securities

Securities for which the fair value option is elected are not evaluated for other-than-temporary impairment ("OTTI") as any change in fair value is recorded in the consolidated statements of operations. Realized losses on such securities are reclassified to realized gain (loss) on investments and other as losses occur.

Securities for which the fair value option is not elected are evaluated for OTTI quarterly. Impairment of a security is considered to be other-than-temporary when: (i) the holder has the intent to sell the impaired security; (ii) it is more likely than not the holder will be required to sell the security; or (iii) the holder does not expect to recover the entire amortized cost of the security. When a security has been deemed to be other-than-temporarily impaired due to (i) or (ii), the security is written down to its fair value and an OTTI is recognized in the consolidated statements of operations. In the case of (iii), the security is written down to its fair value and the amount of OTTI is then bifurcated into: (a) the amount related to expected credit losses; and (b) the amount related to fair value adjustments in excess of expected credit losses. The portion of OTTI related to expected credit losses is recognized in the consolidated statements of operations. The remaining OTTI related to the valuation adjustment is recognized as a component of accumulated OCI in the consolidated statements of equity. The portion of OTTI recognized through earnings is accreted back to the amortized cost basis of the security through interest income, while amounts recognized through OCI are amortized over the life of the security with no impact on earnings. Real estate securities which are not high-credit quality are considered to have an OTTI if the security has an unrealized loss and there has been an adverse change in expected cash flow. The amount of OTTI is then bifurcated as discussed above.

Organization and Offering Costs

The Advisor, or its affiliates, is entitled to receive reimbursement for costs paid on behalf of the Company in connection with the Offering. The Company is obligated to reimburse the Advisor for organization and offering costs to the extent the aggregate of selling commissions, dealer manager fees and other organization and offering costs do not exceed 15% of gross offering proceeds from the Primary Offering. The Advisor does not expect reimbursable organization and offering costs, including costs incurred in connection with the Follow-on Offering, to exceed $22.5 million, or 1.5% of the total proceeds available to be raised from the Primary Offering. The Company records organization and offering costs each period based upon an allocation determined by the expectation of total organization and offering costs to be reimbursed. Organization costs are recorded as an expense in general and administrative expenses in the consolidated statements of operations and offering costs are recorded as a reduction to equity.

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, income and share ownership tests are met. To maintain its qualification as a REIT under the Internal Revenue Code, the Company must annually distribute at least 90% of its REIT taxable income to its stockholders and meet certain other requirements. 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. If the Company were to fail to meet these requirements, it would be subject to U.S. federal income tax, which could have a material adverse impact on its results of operations and amounts available for distributions to its stockholders. 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.

The Company made a joint election to treat certain subsidiaries as taxable REIT subsidiaries ("TRSs") which may be subject to U.S. federal, state and local income taxes. In general, a TRS of the Company may perform non-customary services for tenants/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.

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 recorded an income tax benefit of $0.3 million and an immaterial amount of expense for the three months ended March 31, 2015 and 2014, respectively.

Other

Refer to Note 2 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 for further disclosure of the Company's significant accounting policies.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting update requiring a company to recognize as revenue the amount of consideration it expects to be entitled to in connection with the transfer of promised goods or services to customers. The accounting standard update will replace most of the existing revenue recognition guidance currently promulgated by U.S. GAAP. In April 2015, the FASB proposed a one-year deferral of the effective date of the new revenue standard to January 1, 2018. The Company is currently assessing the impact of the update on its consolidated financial position, results of operations and financial statement disclosures.

In February 2015, the FASB issued updated guidance that changes the rules regarding consolidation. The pronouncement eliminates specialized guidance for limited partnerships and similar legal entities and removes the indefinite deferral for certain investment funds. The new guidance is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015, with early adoption permitted. The Company is currently assessing the impact of the guidance on its consolidated financial position, results of operations and financial statement disclosures.

In April 2015, the FASB issued an accounting update changing the presentation of financing costs in financial statements. Under the new guidance, an entity would present these costs on the balance sheet as a direct deduction from the related financing rather than as an asset. Amortization of the costs would be reported as interest expense. The new guidance is effective for annual periods and interim periods beginning after December 15, 2015, with early adoption permitted. The Company is currently assessing the impact of the guidance on its consolidated financial position, results of operations and financial statement disclosures.

3. Operating Real Estate

The following table presents operating real estate, net as of March 31, 2015 and December 31, 2014 (dollars in thousands):

	March 31, 2015 (Unaudited)	December 31, 2014
Land	$ 21,165	$ 20,035
Buildings and improvements	235,606	235,544
Construction in progress	2,021	1,320
Furniture and fixtures	7,079	6,927
Subtotal	265,871	263,826
Less: Accumulated depreciation	(6,102)	(4,417)
Operating real estate, net	$ 259,769	$ 259,409

4. Investments in Unconsolidated Ventures

The following is a description of the Company's investments in unconsolidated ventures, all of which are accounted for under the equity method. The Company evaluates whether disclosure of summarized financial statement information is required for any individually significant investment in unconsolidated ventures. The Company determined there was one significant unconsolidated joint venture entity as of March 31, 2015.

Eclipse Joint Venture

In May 2014, the Company, through a general partnership with NorthStar Realty (refer to Note 7), entered into a joint venture with an affiliate of Formation Capital, LLC to acquire an interest in a $1.1 billion healthcare real estate portfolio comprised of over 8,500 units/beds across 44 ALFs and 36 SNFs, located primarily in Florida, Illinois, Oregon and Texas. The Company contributed $23.4 million for a 5.6% interest in the joint venture. As of March 31, 2015, the carrying value of the Company's investment was $20.2 million, including $1.3 million of capitalized acquisition costs. For the three months ended March 31, 2015, the Company recognized in equity in earnings, operating income of $0.7 million, which includes $0.5 million of depreciation and amortization expense.

Envoy Joint Venture

In June 2014, the Company made a subordinate interest investment of $5.0 million which was exchanged for an 11.4% interest in a joint venture, in the form of a general partnership, with affiliates of Formation Capital, LLC and Safanad Management Limited ("Envoy") in September 2014. The joint venture owns a $145.0 million portfolio, subject to certain earn-out provisions, of 14 SNFs comprised of 1,658 beds and located in Virginia, Maryland and Pennsylvania. As of March 31, 2015, the carrying value of the Company's investment was $5.3 million, including $0.4 million of capitalized acquisition costs. For the three months ended March 31, 2015, the Company recognized in equity in earnings, operating income of $0.2 million, which includes $0.1 million of depreciation and amortization expense.

Griffin-American Joint Venture

In December 2014, the Company, through a general partnership with NorthStar Realty (refer to Note 7), acquired an interest in Griffin-American Healthcare REIT II, Inc.'s ("Griffin-American") healthcare real estate portfolio following completion of the merger of Griffin-American with and into a subsidiary of NorthStar Realty. In connection with the merger, the Company acquired a 14.3% interest in the joint venture for $187.2 million in cash, including a pro rata share of transaction costs. The Griffin-American joint venture portfolio includes 297 healthcare real estate properties located throughout the United States and in the United Kingdom, including 147 MOBs, 91 senior housing facilities, 45 SNFs and 14 hospitals. The portfolio includes 44 senior housing facilities in the United Kingdom, which represents 12% of the total portfolio.

As of March 31, 2015, the carrying value of the Company's investment was $188.1 million, including $13.2 million of capitalized acquisition costs. For the three months ended March 31, 2015, the Company recognized in equity in losses, operating income of $2.0 million, which includes $5.9 million depreciation and amortization expense.

Summarized Financial Data

The combined balance sheet and statement of operations for the Griffin-American unconsolidated venture as of March 31, 2015 and for the three months ended March 31, 2015 are as follows (dollars in thousands):

		March 31, 2015			Three Months Ended March 31, 2015
Assets					
Operating real estate, net	$	3,663,111	Total revenues	$	97,949
Other assets		657,764			
Total assets	$	4,320,875	Property operating expenses		43,962
			Transaction costs		1,481
Liabilities and equity			Interest expense		38,341
Mortgage notes payable	$	2,879,242	Depreciation and amortization		40,052
Other liabilities		218,634	Total expenses		123,836
Equity		1,222,999			
Total liabilities and equity		4,320,875	Net income (loss)	$	(25,887)
Net investment in unconsolidated ventures	$	188,147	Equity in earnings (losses) of unconsolidated ventures	$	(3,906)

5. Real Estate Debt Investments

The following table presents debt investments as of March 31, 2015 (dollars in thousands):

Asset Type:	Number	Principal Amount	Carrying Value	Allocation by Investment Type (1)	Weighted Average: Spread over LIBOR (2)	Weighted Average: Total Unleveraged Current Yield	Floating Rate as % of Principal Amount
First mortgage loans (3)	2	$ 25,887	$ 25,887	17.7%	8.1%	8.3%	100.0%
Mezzanine loans	2	120,000	120,125	82.3%	10.2%	10.4%	100.0%
Total/Weighted Average	4	$ 145,887	$ 146,012	100.0%	9.8%	10.0%	100.0%

(1) Based on principal amount.
(2) Includes a fixed minimum London Interbank Offered Rate ("LIBOR") rate, as applicable.
(3) As of March 31, 2015, all first mortgage loans were subject to a minimum LIBOR rate ("LIBOR floor") with the weighted average of 0.6%.

The following table presents debt investment as of December 31, 2014 (dollars in thousands):

Asset Type:	Number	Principal Amount	Carrying Value	Allocation by Investment Type (1)	Weighted Average: Spread over LIBOR (2)	Weighted Average: Total Unleveraged Current Yield	Floating Rate as % of Principal Amount
First mortgage loans (3)	2	$ 25,887	$ 25,887	17.7%	8.1%	8.3%	100.0%
Mezzanine loans	2	120,000	120,380	82.3%	10.2%	10.4%	100.0%
Total/Weighted Average	4	$ 145,887	$ 146,267	100.0%	9.8%	10.0%	100.0%

(1) Based on principal amount.
(2) Includes a fixed minimum LIBOR rate, as applicable.
(3) As of December 31, 2014, all first mortgage loans were subject to a LIBOR floor with the weighted average of 0.6%.

The following table presents maturities of debt investments based on principal amount as of March 31, 2015 (dollars in thousands):

	Initial Maturity	Maturity Including Extensions [(1)]
April 1 to December 31, 2015	$ —	$ —
Years Ending December 31:		
2016	131,250	—
2017	14,637	—
2018	—	11,250
2019	—	134,637
Thereafter	—	—
Total	$ 145,887	$ 145,887

(1) Assumes that all debt with extension options will qualify for extension at such maturity according to the conditions set forth in the governing documents.

As of March 31, 2015, the weighted average maturity, including extensions, of debt investments was 4.2 years.

Credit Quality Monitoring

Debt investments are typically loans secured by direct senior priority liens on real estate properties or by interests in entities that directly own real estate properties, which serve as the primary source of cash for the payment of principal and interest. The Company evaluates its debt investments at least quarterly and differentiates the relative credit quality principally based on: (i) whether the borrower is currently paying contractual debt service in accordance with its contractual terms; and (ii) whether the Company believes the borrower will be able to perform under its contractual terms in the future, as well as the Company's expectations as to the ultimate recovery of principal at maturity. The Company categorizes a debt investment for which it expects to receive full payment of contractual principal and interest payments as "performing." The Company will categorize a weaker credit quality debt investment that is currently performing, but for which it believes future collection of all or some portion of principal and interest is in doubt, into a category called "performing with a loan loss reserve." The Company will categorize a weaker credit quality debt investment that is not performing, which the Company defines as a loan in maturity default and/or past due at least 90 days on its contractual debt service payments, as a non-performing loan ("NPL"). The Company's definition of an NPL may differ from that of other companies that track NPLs.

As of March 31, 2015, all debt investments were performing in accordance with the contractual terms of their governing documents and were categorized as performing loans. For the three months ended March 31, 2015, two debt investments each contributed more than 10% of interest income.

6. Borrowings

The following table presents borrowings as of March 31, 2015 and December 31, 2014 (dollars in thousands):

				March 31, 2015		December 31, 2014	
	Recourse vs. Non-Recourse	Final Maturity	Contractual Interest Rate [1]	Principal Amount	Carrying Value	Principal Amount	Carrying Value
Mortgage notes payable							
Athenaeum, NY [2]	Non-recourse	Dec-19	LIBOR + 3.5%	$ 2,090	$ 2,090	$ 2,090	$ 2,090
Cheektowaga, NY [2]	Non-recourse	Dec-19	LIBOR + 3.5%	8,612	8,612	8,612	8,612
Clinton, CT [2]	Non-recourse	Dec-19	LIBOR + 3.5%	6,269	6,269	6,269	6,269
Denver, CO	Non-recourse	Feb-21	LIBOR +2.92%	21,500	21,500	21,500	21,500
Frisco, TX	Non-recourse	Mar-21	LIBOR + 3.04%	20,000	20,000	20,000	20,000
Milford, OH	Non-recourse	Dec-18 [3]	LIBOR + 3.35%	10,500	10,500	10,500	10,500
Peachtree, GA [2]	Non-recourse	Dec-19	LIBOR + 3.5%	7,029	7,029	7,029	7,029
Bohemia, NY [4]	Non-recourse	Jan-25	3.99%	24,946	24,946	—	—
Hauppauge, NY [4]	Non-recourse	Jan-25	3.99%	15,135	15,135	—	—
Islandia, NY [4]	Non-recourse	Jan-25	3.99%	37,191	37,191	—	—
Westbury, NY [4]	Non-recourse	Jan-25	3.99%	16,478	16,478	—	—
Subtotal mortgage notes payable				169,750	169,750	76,000	76,000
Credit facilities							
Term Loan Facility	Recourse	Nov-17 [5]	Various [6]	—	—	—	—
Total				$ 169,750	$ 169,750	$ 76,000	$ 76,000

(1) For borrowings with a contractual interest rate based on LIBOR, represents one-month LIBOR for Denver, CO and Frisco, TX and three-month LIBOR for the others.
(2) In December 2014, the Company entered into a mortgage note arrangement with a capacity of up to $30.0 million, subject to certain conditions, secured by four healthcare real estate properties. As of March 31, 2015, the Company borrowed $24.0 million of this commitment, of which $7.6 million was used to repay an existing mortgage note payable. The repayment resulted in a $0.2 million loss on extinguishment of the mortgage note payable due to the write-off of deferred financing costs.
(3) The initial maturity of Milford, OH is December 2016, with two one-year extensions available at the Company's option, which may be subject to the satisfaction of certain customary conditions set forth in the governing documents.
(4) In January 2015, the Company entered into four mortgage notes payable with an aggregate amount of $93.8 million, secured by four healthcare real estate properties.
(5) The initial maturity of Term Loan Facility is November 2016, with a one-year extension available at the Company's option, which may be subject to the satisfaction of certain customary conditions set forth in the governing documents.
(6) The interest rate depends on the cumulative leverage of the Company and advance rate depend upon asset type and characteristics.

The following table presents scheduled principal on borrowings based on fully extended maturity as of March 31, 2015 (dollars in thousands):

April 1 to December 31, 2015	$ —
Years Ending December 31:	
2016	232
2017	3,516
2018	13,706
2019	25,864
Thereafter	126,432
Total	$ 169,750

Term Loan Facility

On November 13, 2013, the Company, through the Operating Partnership, entered into a credit facility agreement with a national financial institution (the “Term Loan Facility”), which initially provided up to $25.0 million and currently provides up to $100.0 million to finance real estate investments and first mortgage loans secured by healthcare real estate.

The Term Loan Facility acts as a revolving credit facility that can be paid down as assets are repaid, refinanced or sold and re-drawn upon for new investments. The Company agreed to guaranty all obligations under the Term Loan Facility. The Term Loan Facility contains representations, warranties, covenants, conditions precedent to funding, events of default and indemnities that are customary for agreements of this type. More specifically, the borrowing subsidiary of the Company must maintain $5.0 million in unrestricted cash at all times during the term of the Term Loan Facility.

In February 2014, the Company, through the Operating Partnership, amended the Term Loan Facility to increase the initial capacity to $100.0 million with up to $200.0 million of potential capacity, subject to borrowing base availability. As of March 31, 2015, we had no borrowings outstanding under the Term Loan Facility.

As of March 31, 2015, the Company was in compliance with all of its financial covenants.

7. Related Party Arrangements

Advisor

In connection with the completion of NorthStar Realty’s spin-off of its asset management business into the Sponsor, on June 30, 2014, the Company entered into a new advisory agreement with the Advisor, an affiliate of the Sponsor, on terms substantially similar to those set forth in the prior advisory agreement, and terminated the advisory agreement with the Prior Advisor. For periods prior to June 30, 2014, the information below regarding fees and reimbursements incurred and accrued but not yet paid relates to the Prior Advisor.

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

Fees to Advisor

Asset Management Fee

The Advisor, or its affiliates, receives a monthly asset management fee equal to one-twelfth of 1.0% of the sum of the amount funded or allocated for investments, including expenses and any financing attributable to such investments, less any principal received on debt and securities investments (or the proportionate share thereof in the case of an investment made through a joint venture).

Acquisition Fee

The Advisor, or its affiliates, also receives an acquisition fee equal to 2.25% of each real estate property acquired by the Company, including acquisition costs and any financing attributable to an equity investment (or the proportionate share thereof in the case of an equity investment made through a joint venture) and 1.0% of the amount funded or allocated by the Company to acquire or originate debt investments, including acquisition costs and any financing attributable to such investments (or the proportionate share thereof in the case of an investment made through a joint venture). An acquisition fee incurred related to an equity investment will generally be expensed as incurred. An acquisition fee paid to the Advisor related to the acquisition of an equity or debt investment in an unconsolidated joint venture is included in investments in unconsolidated ventures on the consolidated balance sheets. An acquisition fee paid to the Advisor related to the origination or acquisition of debt investments is included in debt investments, net on the consolidated balance sheets and is amortized to interest income over the life of the investment using the effective interest method.

Disposition Fee

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

Reimbursements to Advisor

Operating Costs

The Advisor, or its affiliates, is entitled to receive reimbursement for direct and indirect operating costs incurred by the Advisor in connection with administrative services provided to the Company. Indirect operating costs include the Company's allocable share of costs incurred by the Advisor for personnel and other overhead such as rent, technology and utilities. However, there is no reimbursement for personnel costs related to executive officers and other personnel involved in activities for which the Advisor receives an acquisition fee or a disposition fee. The Company reimburses the Advisor quarterly for operating costs (including the asset management fee) based on a calculation for the four preceding fiscal quarters not to exceed the greater of: (i) 2.0% of its average invested assets; or (ii) 25.0% of its net income determined without reduction for any additions to reserves for depreciation, loan losses or other similar non-cash reserves and excluding any gain from the sale of assets for that period. Notwithstanding the above, the Company may reimburse the Advisor for expenses in excess of this limitation if a majority of the Company's independent directors determines that such excess expenses are justified based on unusual and non-recurring factors. The Company calculates the expense reimbursement quarterly based upon the trailing twelve-month period.

Organization and Offering Costs

The Advisor, or its affiliates, is entitled to receive reimbursement for organization and offering costs paid on behalf of the Company in connection with the Offering. The Company is obligated to reimburse the Advisor, or its affiliates, as applicable, for organization and offering costs to the extent the aggregate of selling commissions, dealer manager fees and other organization and offering costs do not exceed 15% of gross proceeds from the Primary Offering. The Advisor does not expect reimbursable organization and offering costs, including costs incurred in connection with the Follow-on Offering but excluding selling commissions and dealer manager fees, to exceed $22.5 million, or 1.5% of the total proceeds available to be raised from the Primary Offering. The Company shall not reimburse the Advisor for any organization and offering costs that the Company's independent directors determine are not fair and commercially reasonable to the Company.

Dealer Manager

Selling Commissions and Dealer Manager Fees

Pursuant to a dealer manager agreement, the Company pays the Dealer Manager selling commissions of up to 7.0% of gross proceeds from the Primary Offering, all of which are reallowed to participating broker-dealers. In addition, the Company pays the Dealer Manager a dealer manager fee of up to 3.0% of gross proceeds from the Primary Offering, a portion of which is typically reallowed to participating broker-dealers and paid to certain employees of the Dealer Manager. No selling commissions or dealer manager fees are paid for sales pursuant to the DRP.

Summary of Fees and Reimbursements

The following table presents the fees and reimbursements incurred to the Advisor and the Dealer Manager for the three months ended March 31, 2015 and 2014 and the amount due to related party as of March 31, 2015 and December 31, 2014 (dollars in thousands):

		Three Months Ended March 31,		Due to Related Party as of	
Type of Fee or Reimbursement	**Financial Statement Location**	**2015**	**2014**	**March 31, 2015**	**December 31, 2014**
Fees to Advisor					
Asset management	Asset management and other fees-related party	$ 2,709	$ 327	$ 903	$ 6
Acquisition [(1)]	Real estate debt investments, net / Investments in unconsolidated ventures / Asset management and other fees-related party	(13)	1,985	(13)	245
Disposition [(1)]	Real estate debt investments, net	—	—	—	—
Reimbursements to Advisor					
Operating costs	General and administrative expenses	2,708	401	2,720	12
Organization	General and administrative expenses	5	75	7	2
Offering	Cost of capital [(2)]	685	1,434	1,175	490
Selling commissions / Dealer manager fees	Cost of capital [(2)]	12,386	9,798	—	—
Total				$ 4,792	$ 755

(1) Acquisition/disposition fees incurred to the Advisor related to debt investments are generally offset by origination/exit fees paid to the Company by borrowers if such fees are required from the borrower. Acquisition fees related to equity investments are included in asset management and other fees - related party in the consolidated statements of operations. Acquisition fees related to investments in unconsolidated joint ventures are included in investments in unconsolidated ventures on the consolidated balance sheets. The Advisor may determine to defer fees or seek reimbursement.

(2) Cost of capital is included in net proceeds from issuance of common stock in the Company's consolidated statements of equity.

NorthStar Realty Purchase of Common Stock

On January 29, 2015, the board of directors of the Company approved an amended and restated distribution support agreement (the "Distribution Support Agreement") extending the term until February 6, 2017. Pursuant to the Distribution Support Agreement, NorthStar Realty committed to purchase up to an aggregate of $10.0 million in shares of the Company's common stock at a price of $9.00 per share during the Initial Offering and at $9.18 per share during the Follow-on Offering, if cash distributions exceed modified funds from operations (as computed in accordance with the definition established by the Investment Program Association and adjusted for certain items) to provide additional funds to support distributions to stockholders. In February 2013, NorthStar Realty purchased 222,223 shares of the Company's common stock for $2.0 million under the Distribution Support Agreement to satisfy the minimum offering requirement, which reduced the total commitment. As of March 31, 2015, including the purchase of shares to satisfy the minimum offering requirement, NorthStar Realty purchased 303,248 shares of the Company's common stock for $2.7 million with $7.3 million remaining outstanding under such commitment.

Investments in Joint Ventures

In May 2014, the Company, through a general partnership with NorthStar Realty, acquired a 5.6% interest in a $1.1 billion healthcare real estate portfolio and contributed $23.4 million of cash for its interest in the investment. The purchase was approved by the Company's board of directors, including all of its independent directors.

In December 2014, the Company, through a general partnership with NorthStar Realty, acquired an interest in the Griffin-American portfolio. The Company acquired an interest of 14.3% for $187.2 million in cash, including the Company's pro rata share of transaction costs. The purchase was approved by the Company's board of directors, including all of its independent directors.

In connection with the acquisition of the Griffin-American portfolio by NorthStar Realty and the Company, the Sponsor acquired an approximate 45%, as adjusted, ownership interest in American Healthcare Investors LLC ("AHI") and Mr. James F. Flaherty III, a strategic partner of the Sponsor and the Company's Vice Chairman, acquired a 12.3% ownership interest in AHI. AHI is a healthcare-focused real estate investment management firm that co-sponsored and advised Griffin-American, until Griffin-American was acquired by the Company and NorthStar Realty. In connection with the Sponsor's acquisition of an interest in AHI, AHI provides certain management and related services, including property management, to the Advisor, NorthStar Realty and the Company. Initially, AHI provides such services to the Company only with respect to its interest in the Griffin-American portfolio or in connection with certain joint acquisitions with NorthStar Realty and, following completion of the Offering and full investment of the proceeds, AHI may provide such services to a larger subset or all of the Company's assets. Consequently, AHI will assist the Advisor in managing the Griffin-American portfolio and other current and future healthcare assets owned by the Company and NorthStar Realty.

8. Equity-Based Compensation

The Company adopted a long-term incentive plan, as amended (the "Plan"), which it may use to attract and retain qualified officers, directors, employees and consultants, as well as an independent directors compensation plan, which is a component of the Plan. Pursuant to the Plan, as of March 31, 2015, the Company's independent directors were granted a total of 30,000 shares of restricted common stock for an aggregate $300,000, which generally vest quarterly over four years. However, the stock will become fully vested on the earlier occurrence of: (i) the termination of the independent director's service as a director due to his or her death or disability; or (ii) a change in control of the Company.

The Company recognized equity-based compensation expense of $29,299 and $12,656 for the three months ended March 31, 2015 and 2014, respectively, related to the issuance of restricted stock to the independent directors, which was recorded in general and administrative expenses in the consolidated statements of operations.

9. Stockholders' Equity

Common Stock from Primary Offering

For the three months ended March 31, 2015, the Company issued 13.0 million shares of common stock generating gross proceeds of $129.3 million. For the year ended December 31, 2014, the Company issued 85.7 million shares of common stock generating gross proceeds of $854.9 million. From inception through March 31, 2015, the Company issued 109.6 million shares of common stock generating gross proceeds of $1.1 billion.

Distribution Reinvestment Plan

The Company adopted a DRP through which common stockholders may elect to reinvest an amount equal to the distributions declared on their shares in additional shares of the Company's common stock in lieu of receiving cash distributions. The purchase price per share pursuant to the Initial DRP and the Follow-on DRP was $9.50 and $9.69, respectively. Once the Company establishes an estimated value per share, shares issued pursuant to the DRP will be priced at 95.0% of the estimated value per share of the Company's common stock, as determined by the Advisor or another firm chosen for that purpose. Pursuant to amended Rules 2310 and 2340 of the Financial Regulatory Authority, Inc., the Company expects to establish an estimated value per share by April 11, 2016, the effective date of the amended rules. No selling commissions or dealer manager fees are paid on shares issued pursuant to the DRP. Once established, the Company will disclose the per share estimated value in its annual report. The board of directors of the Company may amend, suspend or terminate the DRP for any reason upon ten-days' notice to participants, except that the Company may not amend the DRP to eliminate a participant's ability to withdraw from the DRP. For the three months ended March 31, 2015, the Company issued 1.0 million shares of common stock totaling $9.3 million of gross offering proceeds pursuant to the DRP. For the year ended December 31, 2014, the Company issued 1.3 million shares of common stock totaling $12.4 million of gross offering proceeds pursuant to the DRP. From inception through March 31, 2015, the Company issued 2.3 million shares of common stock, generating gross offering proceeds of $22.0 million pursuant to the DRP.

Distributions

Distributions to stockholders are declared quarterly by the board of directors of the Company and are paid monthly based on a daily amount of $0.00184932 per share, which is equivalent to an annual distribution rate of 6.75%, assuming a purchase price of $10.00 per share of common stock for the Initial Primary Offering, and 6.62%, assuming a purchase price of $10.20 per share of common stock for the Follow-on Primary Offering. Distributions are generally paid to stockholders on the first business day of the month following the month for which the distribution has accrued.

The following table presents distributions declared for the three months ended March 31, 2015 (dollars in thousands):

	Distributions [(1)]		
Period	Cash	DRP	Total
January	$ 2,686	$ 3,379	$ 6,065
February	2,518	3,203	5,721
March	2,819	3,561	6,380
Total	$ 8,023	$ 10,143	$ 18,166

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

Share Repurchase Program

The Company adopted a share repurchase program that may enable stockholders to sell their shares to the Company in limited circumstances (the "Share Repurchase Program"). The Company may not repurchase shares unless a stockholder has held shares for one year. However, the Company may repurchase shares held less than one year in connection with a stockholder's death or disability, if the disability is deemed qualifying by the board of directors of the Company in its sole discretion and after receiving written notice from the stockholder or the stockholder's estate. 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. For the three months ended March 31, 2015, the Company repurchased 74,298 shares of common stock for a $0.7 million at an average price of $9.90 per share. For the year ended December 31, 2014, the Company repurchased 14,355 shares of common stock for a $0.1 million at an average price of $9.92 per share pursuant to the Share Repurchase Program. As of March 31, 2015, there were no unfulfilled repurchase requests.

10. Non-controlling Interests

Operating Partnership

Non-controlling interests include the aggregate limited partnership interests in the Operating Partnership held by limited partners, other than the Company. Income (loss) attributable to the non-controlling interests is based on the limited partners' ownership percentage of the Operating Partnership. Income (loss) allocated to the Operating Partnership non-controlling interests for the three months ended March 31, 2015 and 2014 was an immaterial amount.

Other

Other non-controlling interests represent third-party equity interests in ventures that are consolidated with the Company's financial statements. Net income (loss) attributable to the other non-controlling interests for the three months ended March 31, 2015 and 2014 was an immaterial amount.

11. Fair Value

Fair Value Measurement

The fair value of financial instruments is categorized based on the priority of the inputs to the valuation technique and categorized into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded at fair value on the consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1. Quoted prices for identical assets or liabilities in an active market.

Level 2. Financial assets and liabilities whose values are based on the following:

a) Quoted prices for similar assets or liabilities in active markets.

b) Quoted prices for identical or similar assets or liabilities in non-active markets.

c) Pricing models whose inputs are observable for substantially the full term of the asset or liability.

d) Pricing models whose inputs are derived principally from or corroborated by observable market data for substantially the full term of the asset or liability.

Level 3. Prices or valuation techniques based on inputs that are both unobservable and significant to the overall fair value measurement.

Fair Value of Financial Instruments

U.S. GAAP requires disclosure of fair value about all financial instruments. The following disclosure of estimated fair value of financial instruments was determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on estimated fair value.

The following table presents the principal amount, carrying value and fair value of certain financial assets and liabilities as of March 31, 2015 and December 31, 2014 (dollars in thousands):

	March 31, 2015			December 31, 2014		
	Principal Amount	Carrying Value	Fair Value	Principal Amount	Carrying Value	Fair Value
Financial assets: (1)						
Real estate debt investments, net	$ 145,887	$ 146,012	$ 151,797	$ 145,887	$ 146,267	$ 153,001
Financial liabilities: (1)						
Mortgage notes payable	$ 169,750	$ 169,750	$ 174,655	$ 76,000	$ 76,000	$ 75,293

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

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

Real Estate Debt Investments

For debt investments, fair value was approximated by comparing the current yield to the estimated yield for newly originated loans with similar credit risk or the market yield at which a third party might expect to purchase such investment. Fair value was determined assuming fully-extended maturities regardless of structural or economic tests required to achieve such extended maturities. These fair value measurements of debt are generally based on unobservable inputs and, as such, are classified as Level 3 of the fair value hierarchy.

Mortgage Notes Payable

For mortgage 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 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.

12. Segment Reporting

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

- *Real Estate Equity* - Focused on equity investments, directly or through joint ventures, with a focus on properties in the mid-acuity senior housing sector, predominantly in the United States, which the Company defines as ALF, MCF, SNF and ILF that have an emphasis on private pay patients, although many of these facilities may also rely on public pay patients, and also includes MOB, CCRC, hospitals and rehabilitation facilities. Certain healthcare properties operate under the RIDEA structure generating resident income from short-term residential agreements and incur customary related operating expenses.

- *Real Estate Debt* - Focused on originating, acquiring and asset managing healthcare-related debt investments and may include first mortgage loans, subordinate interests and mezzanine loans and participations in such loans, as well as preferred equity interests.
- *Healthcare-Related Securities* - Focused on investing in and asset managing healthcare-related securities primarily consisting of commercial mortgage-backed securities and other securities backed primarily by loans secured by healthcare properties.
- *Corporate* - The corporate segment includes corporate level asset management and other fees - related party and general and administrative expenses.

The Company primarily generates revenue from rental and resident fee income from real estate equity and interest income on the real estate debt investments. For the three months ended March 31, 2015, gross revenues from two of the Company's operators, Watermark Retirement Communities and Arcadia Management, were 34% and 19% of the Company's total revenues, respectively. The Company's income is also derived through the difference between net revenue and the cost at which the Company is able to finance its investments. The Company may also acquire investments which generate attractive returns without any leverage. The following tables present segment reporting for the three months ended March 31, 2015 and 2014 (dollars in thousands):

Statement of Operations:

Three months ended March 31, 2015	**Real Estate Equity**	**Real Estate Debt**	**Corporate [1]**	**Total**
Rental and resident fee income	$ 7,754	$ —	$ —	$ 7,754
Interest income	—	3,561	—	3,561
Property operating expenses	2,746	—	—	2,746
Asset management and other fees-related party	—	—	2,714	2,714
Other expenses	3,148	20	4,457	7,625
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	1,860	3,541	(7,171)	(1,770)
Equity in earnings (losses) of unconsolidated ventures	(3,589)	—	—	(3,589)
Income tax benefit (expense)	345	—	—	345
Net income (loss)	$ (1,384)	$ 3,541	$ (7,171)	$ (5,014)

Statement of Operations:

Three months ended March 31, 2014	**Real Estate Equity**	**Real Estate Debt**	**Corporate[1]**	**Total**
Rental and resident fee income	$ 3,964	$ —	$ —	$ 3,964
Interest income	—	483	—	483
Property operating expenses	1,873	—	—	1,873
Asset management and other fees-related party	—	—	2,166	2,166
Other expenses	2,477	3	1,366	3,846
Net income (loss)	$ (386)	$ 480	$ (3,532)	$ (3,438)

(1) Includes unallocated asset management fee—related party and general and administrative expenses, if any.

The following table presents total assets by segment as of March 31, 2015 and December 31, 2014 (dollars in thousands):

Balance Sheets:	Real Estate Equity	Real Estate Debt	Corporate	Total
March 31, 2015:				
Total Assets	$ 490,081	$ 147,167	$ 487,157	$ 1,124,405
December 31, 2014:				
Total Assets	489,711	147,419	281,619	918,749

13. Subsequent Events

Common Stock from Offering

For the period from April 1, 2015 through May 11, 2015, the Company issued 5.3 million shares of common stock representing gross proceeds of $53.3 million.

Distribution Reinvestment Plan

For the period from April 1, 2015 through May 11, 2015, the Company issued 0.7 million shares pursuant to the DRP representing gross proceeds of $7.1 million.

Distributions

On May 12, 2015, the board of directors of the Company approved a daily cash distribution of $0.00184932 per share of common stock for each of the three months ended September 30, 2015. Distributions are generally paid to stockholders on the first business day of the month following the month for which the distribution was accrued.

NorthStar Realty Purchase of Common Stock

On May 12, 2015, the Company's board of directors approved the sale of 0.2 million shares of the Company's common stock for $1.6 million to NorthStar Realty, pursuant to the Distribution Support Agreement.

Share Repurchases

From April 1, 2015 through May 11, 2015, the Company repurchased 43,273 shares for a total of $0.4 million or a weighted average price of $9.45 per share under the Share Repurchase Program that enables stockholders to sell their shares to the Company in certain circumstances, including death or a qualifying disability.

New Investments

Espresso Joint Venture

The Company, together with Formation Capital, LLC and Safanad Management Limited, agreed to acquire the U.S.-based operations of Extendicare International Inc., a $870.0 million portfolio consisting of 152 SNF and six ALF located across 12 states, with the largest concentrations in Indiana, Kentucky, Ohio, Michigan and Wisconsin, which will be owned 40% by the Company. The Company may invest up to $165.0 million, including a $75.0 million mezzanine loan.

Winterfell Joint Venture

In April 2015, the Company and NorthStar Realty entered into an agreement to acquire a $875.0 million ILF portfolio comprised of 32 properties totaling 3,983 units located in 12 different states, which will be owned 60% by NorthStar Realty and 40% by the Company. The Company previously funded deposits of $26.2 million toward the purchase of the portfolio. The acquisition will be financed with a ten-year, fixed rate, $648.2 million mortgage note payable.

Fountains Joint Venture

In February 2015, the Company entered into an agreement to acquire a $640 million CCRC portfolio of which nine properties will be operated as rental CCRC (the "Rental Properties") and six as entrance fee CCRC (the "Entrance Fee Properties," and together with the Rental Properties, the "Fountains Portfolio"). The Fountains Portfolio contains approximately 3,637 units, including 23 contracted life estate units and is located in 11 states. The Entrance Fee Properties will be acquired by the

Company and leased to affiliates of The Freshwater Group, Inc. ("Freshwater") pursuant to a master net lease. The Rental Properties will be purchased by a joint venture formed in April 2015 between the Company and affiliates of Freshwater and will be held under a RIDEA structure. The Company and Freshwater will own 97.0% and 3.0%, respectively, of the joint venture. The Company previously funded deposits of $28.2 million toward the purchase of the Fountains Portfolio. The acquisition will be financed with a ten-year, fixed rate, $410.0 million mortgage note payable.

There can be no assurance that the Company will complete the transactions that are under contract described above on the terms contemplated or at all.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our unaudited consolidated financial statements and notes thereto included in Item 1. "Financial Statements" of this report. References to "we," "us" or "our" refer to NorthStar Healthcare Income, Inc. and its subsidiaries unless the context specifically requires otherwise.

Introduction

We were formed to acquire, originate and asset manage a diversified portfolio of equity, debt and securities investments in healthcare real estate, directly or through joint ventures, with a focus on the mid-acuity senior housing sector, predominantly in the United States, which we define as assisted living, or ALF, memory care, or MCF, skilled nursing, or SNF and independent living, or ILF facilities, that have an emphasis on private pay patients although many of these facilities may also rely on public pay patients. We also invest in equity and debt investments in other healthcare property types, including medical office buildings, or MOB, continuing care retirement communities, or CCRC, hospitals and rehabilitation facilities. We may also invest internationally. In addition, we may acquire healthcare-related securities. We were formed in October 2010 as a Maryland corporation and commenced operations in February 2013. We elected to be taxed as a real estate investment trust, or 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.

Our equity investments are generally in the form of lease or management transactions whereby we purchase a property and enter into a long-term lease or management agreement with an operator responsible for contractual payments to us. We enter into structures permitted by the REIT Investment Diversification and Empowerment Act of 2007, or RIDEA, whereby we participate directly in the operational cash flow of a property. Our debt investments generally consist of first mortgage loans, subordinate mortgages, mezzanine loans, preferred equity investments and participations in such investments.

We are externally managed and have no employees. Prior to June 30, 2014, we were managed by an affiliate of NorthStar Realty Finance Corp. (NYSE: NRF), or NorthStar Realty. Effective June 30, 2014, NorthStar Realty spun-off its asset management business into a separate publicly traded company, NorthStar Asset Management Group Inc. (NYSE: NSAM), or our Sponsor. Our Sponsor and its affiliates provide asset management and other services to us, NorthStar Realty, other sponsored public non-traded companies and any other companies our Sponsor and its affiliates may manage in the future, or collectively the NSAM Managed Companies, both in the United States and internationally. As of March 31, 2015, NSAM has an aggregate of $23.8 billion of assets under management, adjusted for acquisitions and commitments to acquire investments through May 8, 2015, in a variety of commercial real estate investments. Concurrent with the spin-off, affiliates of our Sponsor entered into a new advisory agreement with us and each of the other NSAM Managed Companies. Pursuant to our advisory agreement, NSAM J-NSHC Ltd, an affiliate of our Sponsor, or our Advisor, agreed to manage our day-to-day operations on terms substantially similar to those set forth in our prior advisory agreement with NorthStar Healthcare Income Advisor, LLC, or our Prior Advisor. References to our Prior Advisor herein refer to the services performed by and fees paid and accrued to our Prior Advisor during the period prior to June 30, 2014. The spin-off of NorthStar Realty's asset management business had no impact on our operations.

Our primary investment types are as follows:

- *Real Estate Equity* - Our equity investments may include equity investments, directly or through joint ventures, with a focus on properties in the mid-acuity senior housing sector, predominantly in the United States, which we define as ALF, MCF, SNF and ILF that have an emphasis on private pay patients, although many of these facilities may also rely on public pay patients, and also includes MOB, CCRC, hospitals and rehabilitation facilities. Certain healthcare properties operate under the RIDEA structure generating resident income from short-term residential agreements and incur customary related operating expenses.

- *Real Estate Debt* - Our debt investment business focuses on originating, acquiring and asset managing healthcare related debt investments and may include first mortgage loans, subordinate interests and mezzanine loans and participations in such loans, as well as preferred equity interests.

- *Healthcare-Related Securities* - Our securities investments may include commercial mortgage-backed securities, or CMBS, and other securities backed primarily by loans secured by healthcare properties.

We believe that our targeted investment types are complementary to each other due to overlapping sources of investment opportunities, common reliance on real estate fundamentals and ability to apply similar portfolio management and servicing skills to maximize value and to protect capital.

We initially registered to offer up to 100.0 million shares pursuant to our primary offering to the public, or our Initial Primary Offering, and up to 10.5 million shares pursuant to our distribution reinvestment plan, or our Initial DRP, which are herein collectively referred to as our Initial Offering. In December 2014, our board of directors authorized the reallocation of 8.6 million shares available under our Initial DRP to our Initial Primary Offering. On February 2, 2015, we successfully completed our Initial Offering by raising $1.1 billion.

On February 6, 2015, our registration statement on Form S-11 was declared effective by the Securities and Exchange Commission, or SEC, for a follow-on public offering, or our Follow-on Offering, of up to $700.0 million, which includes up to $500.0 million in shares pursuant to our follow-on primary offering, or our Follow-on Primary Offering, and up to $200.0 million in shares pursuant to our follow-on distribution reinvestment plan, or our Follow-on DRP. We reserve the right to reallocate shares of our common stock being offered between our Follow-on Primary Offering and our Follow-on DRP. We expect our Follow-on Offering to terminate on the earlier of two years following the effective date or once the maximum number of shares offered are sold. However, our board of directors may determine to terminate our Follow-on Offering at any time. We began raising capital from our Follow-on Offering at the end of February 2015.

Our Initial Primary Offering and our Follow-On Primary Offering are collectively referred to as our Primary Offering and our Initial DRP and Follow-on DRP are collectively referred to as our DRP. Additionally, our Primary Offering and our DRP are collectively referred to as our Offering.

NorthStar Realty Securities, LLC, or our Dealer Manager, formerly a subsidiary of NorthStar Realty that became a subsidiary of our Sponsor upon completion of the spin-off, serves as the dealer manager for our Primary Offering.

On February 11, 2013, we commenced operations by satisfying our minimum offering requirement in our Initial Primary Offering as a result of NorthStar Realty purchasing 222,223 shares of common stock for $2.0 million. From inception through May 11, 2015, we raised total gross proceeds of $1.2 billion.

Our Investments

The following table presents our investments as of March 31, 2015, adjusted for commitments to acquire and originate real estate investments through May 11, 2015 (refer to the below and Recent Developments) (dollars in thousands):

Investment Type:	Amount (1)	% of Total
Real estate equity (2) (3) (4)		
CCRC	$ 640,245	25.5%
SNF	493,928	19.6%
ILF	414,170	16.4%
ALF	379,726	15.0%
MOB	313,034	12.4%
Hospital	40,772	1.6%
MCF	20,998	0.8%
Total real estate equity	2,302,873	91.3%
Real estate debt (4)		
First mortgage loans	25,887	1.0%
Mezzanine loans	195,000	7.7%
Total real estate debt	220,887	8.7%
Total investments	$ 2,523,760	100.0%

(1) Based on cost for real estate equity investments, which includes net purchase price allocation related to net intangibles, deferred costs, other assets, if any, and adjusted for subsequent capital expenditures. For real estate debt, based on principal amount.
(2) Classification based on predominant services provided, but may include other services.
(3) Includes our proportionate interest in real estate held through joint ventures for ALF, MOB, SNF, ILF and hospitals of $1.4 billion.
(4) Includes commitments to acquire and originate our proportionate interest in real estate equity and debt investments of $1.4 billion and $75.0 million, respectively. Refer to Recent Developments.

For financial information regarding our reportable segments, refer to Note 12. "Segment Reporting" in our accompanying consolidated financial statements included in Part I Item 1. "Financial Statements."

The following section describes the major asset classes in which we may invest and actively manage to maximize value and to protect capital.

Real Estate Equity

Overview

Our real estate equity investment strategy is focused on acquiring healthcare properties or interests in healthcare properties, directly or through joint ventures, with a focus on the mid-acuity senior housing sector, predominantly in the United States, which we define as ALF, MCF, SNF and ILF, that have an emphasis on private pay patients although many of these facilities may also rely on public pay patients. We also invest in equity investments in other healthcare property types, including MOB, CCRC, hospitals and rehabilitation facilities. We may also invest internationally.

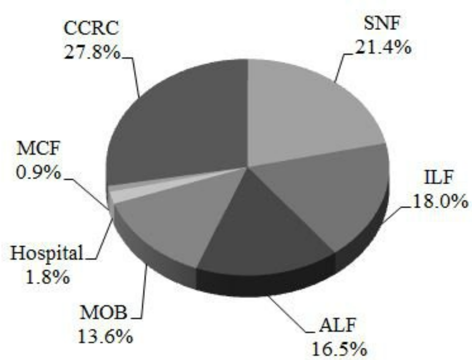
Our equity investments are generally in the form of lease or management transactions whereby we purchase a property and enter into a long-term lease or management agreement with an operator responsible for contractual payments to us. We enter into RIDEA structures whereby we participate directly in the operational cash flow of a property. Our real estate equity investments that operate under the RIDEA structure generate resident level income from short-term residential agreements and incur customary related operating expenses. Our equity investments have the potential to appreciate in value and therefore may help overcome our upfront fees and expenses.

We believe that mid-acuity senior housing facilities may provide an opportunity to generate attractive risk-adjusted returns. Mid-acuity senior housing facilities generally provide the broadest level of services to residents in a cost-effective setting resulting in a longer length of stay for residents and less turnover in tenancy than can be provided in some other healthcare settings.

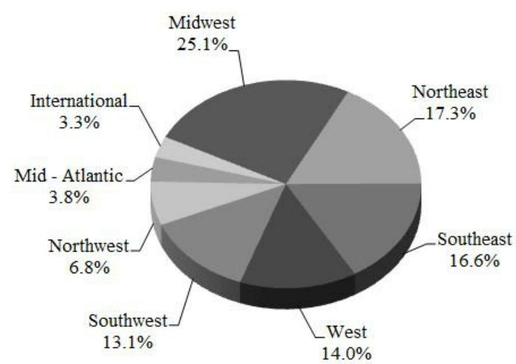
Our Portfolio

As of March 31, 2015, $2.3 billion, or 91.3% of our assets, were invested in healthcare real estate equity, adjusted for commitments to acquire real estate investments through May 11, 2015. The following presents our portfolio diversity across property type and geographic location based on cost:

Real Estate Equity by Property Type [(1)]



Real Estate Equity by Geographic Location



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

The following table presents a summary of our real estate equity investments as of March 31, 2015, adjusted for commitments to acquire real estate investments through May 11, 2015, refer to Recent Developments (dollars in thousands):

Portfolio	Amount (1)	Properties (2) MOB	ALF	SNF	ILF	Hospitals	MCF	CCRC	Total	Primary Locations	Ownership Interest
Direct Investments (3)											
Watermark	$ 95,458	—	1	—	2	—	—	—	3	West/ Southwest /Midwest	97.0%
Peregrine	36,498	—	2	—	—	—	2	—	4	Northeast/ Southeast	100.0%
Kansas City	15,000	—	2	—	—	—	—	—	2	Midwest	100.0%
Arbors	125,130	—	4	—	—	—	—	—	4	Northeast	100.0%
Fountains (4)	640,245	—	—	—	—	—	—	16	16	Various	Various
Total Direct Investments	912,331	—	9	—	2	—	2	16	29		
Joint Venture Investments (5)											
Eclipse	59,816	—	44	36	—	—	—	—	80	Various	5.6%
Envoy	16,472	—	—	14	—	—	—	—	14	Mid - Atlantic/ Northeast	11.4%
Griffin-American	603,468	147	91	45	—	14	—	—	297	Various	14.3%
Winterfell (4)	353,244	—	—	—	32	—	—	—	32	Various	40.0%
Espresso (4)	357,542	—	6	152	—	—	—	—	158	Various	40.0%
Total Joint Venture Investments	1,390,542	147	141	247	32	14	—	—	581		
Total	$ 2,302,873	147	150	247	34	14	2	16	610		

(1) Includes net purchase price allocation related to net intangibles, deferred costs, other assets, if any, and adjusted for subsequent capital expenditures.
(2) Classification based on predominant services provided, but may include other services.
(3) The properties are 100% leased to four operators, with a 12-year weighted average remaining lease term.
(4) Represents our proportionate interest of $1.4 billion in commitments to acquire real estate equity investments through May 11, 2015. Refer to Recent Developments.
(5) Represents our proportionate interest in real estate assets held through unconsolidated joint ventures.

As of March 31, 2015, our unconsolidated joint venture investments included the following, adjusted for commitments to acquire and originate real estate investments through May 11, 2015:

- Eclipse Joint Venture, a 5.6% interest in a $1.1 billion portfolio.
- Envoy Joint Venture, a 11.4% interest in a $145.0 million portfolio.
- Griffin-American Joint Venture, a 14.3% interest in a $4.1 billion portfolio.
- Winterfell Joint Venture, a 40.0% interest in a $875.0 million portfolio.
- Espresso Joint Venture, a 40.0% interest in a $870.0 million portfolio.

Real Estate Debt

Overview

Our real estate debt investment strategy is focused on originating, acquiring and asset managing debt, secured by the same property types that we target for our real estate equity investments, including first mortgage loans, subordinate mortgage and mezzanine loans and participations in such loans and preferred equity interests.

We emphasize direct origination of our debt investments as this allows us a greater degree of control over how they are underwritten and structured and it provides us the opportunity to syndicate senior or subordinate interests in a loan, if desired. Further, it facilitates a more direct relationship with our borrowers which helps us maintain a robust pipeline and provides an opportunity for us to earn origination and other fees.

Our Portfolio

As of March 31, 2015, $220.9 million, or 8.7% of our assets, were invested in real estate debt secured by healthcare facilities, consisting of five loans with an average investment size of $44.2 million, adjusted for commitments to originate a debt investment through May 11, 2015. The weighted average extended maturity of our real estate debt portfolio is 4.7 years.

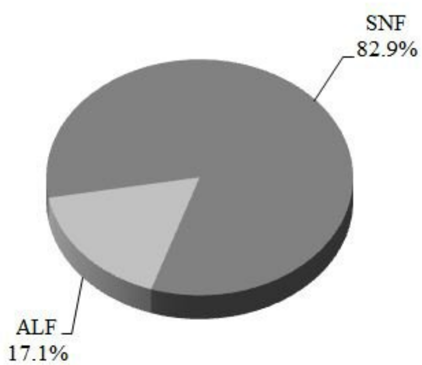
The following table presents a summary of our debt investments as of March 31, 2015, adjusted for commitments to originate debt investment through May 11, 2015. (refer to the below and Recent Developments) (dollars in thousands):

						Weighted Average		
Investment Type:	**Number**	**Principal Amount**	**Carrying Value**	**Allocation by Investment Type (1)**	**Fixed Rate**	**Spread over LIBOR (2)**	**Total Unleveraged Current Yield**	**Floating Rate as % of Principal Amount**
First mortgage loans	2	$ 25,887	$ 25,887	11.7%	—%	8.1%	8.3%	100.0%
Mezzanine loans (3)	3	195,000	195,125	88.3%	10.0%	10.2%	10.2%	61.5%
Total/Weighted average	5	$ 220,887	$ 221,012	100.0%	10.0%	9.8%	10.0%	66.0%

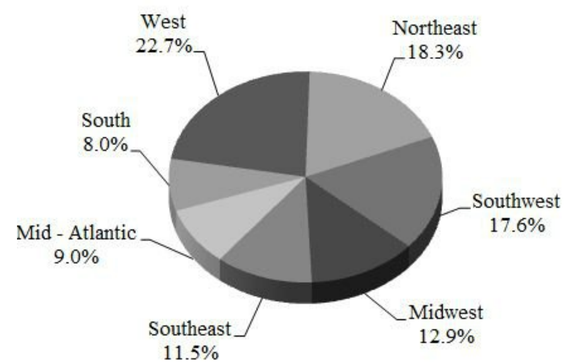
(1) Based on principal amount.
(2) Includes a fixed minimum LIBOR rate, or LIBOR floor, as applicable.
(3) Includes our commitment to originate a $75.0 million mezzanine loan. Refer to Recent Developments.

The following presents our real estate debt portfolio diversity across property type and geographic location based on principal amount:

Real Estate Debt by Property Type (1) (2)



Real Estate Debt by Geographic Location (2)



(1) Classification based on predominant services provided, but may include other services
(2) Excluding our commitment to originate a $75.0 million mezzanine loan. Refer to Recent Developments.

Healthcare-Related Securities

Our healthcare-related securities investment strategy may include investing primarily in CMBS, and may include other healthcare-related securities, backed primarily by loans secured by a variety of healthcare properties. We expect that this asset class will be less than 10% of our total portfolio and we currently do not have any securities investments.

Sources of Operating Revenues and Cash Flows

We generate revenues from resident fees, rental income and interest income. Resident fee income from healthcare properties using the RIDEA structure is recorded when services are rendered and includes resident room and care charges and other resident charges. Rental income is generated from our real estate for the leasing of space to various types of healthcare operators/tenants. Interest income is generated from our debt and healthcare-related securities investments. Additionally, we report our proportionate interest of revenues and expenses from joint ventures which own healthcare real estate. We may also acquire investments which generate attractive returns without any leverage.

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.

Outlook and Recent Trends

Liquidity and capital started to become more available in early 2012 for the commercial real estate markets to stronger sponsors and both Wall Street and commercial banks began to more actively provide credit to real estate borrowers accelerating the pace of investment in real estate. In late 2012, in order to stimulate growth, several of the world's largest central banks acted in a coordinated effort through massive injections of stimulus in the financial markets, which has facilitated keeping interest rates low since then.

A proxy for the liquidity in the commercial real estate market is non-agency CMBS issuance. Approximately $80 billion and $88 billion of non-agency CMBS was issued in 2013 and 2014, respectively, with industry experts currently predicting approximately $100 billion of non-agency CMBS issuance in 2015. In the first quarter 2015, approximately $25 billion of new CMBS issuance occurred in the United States keeping the market on pace for the current projection of $100 billion for 2015.

We believe the U.S. economy is on a healthy growth path and that the U.S. Federal Reserve is on track to begin raising rates in 2015. However, there are concerns about low inflation in the United States, a stronger U.S. dollar, slow global growth and international market volatility. Many other global central banks are easing monetary conditions to combat their own problems with low inflation and slow growth.

Valuations in the commercial real estate markets have generally improved since bottoming out in 2009. Robust investor demand in 2014 for commercial real estate increased transaction activity and prices as rent and vacancy fundamentals improved across most property sectors and are forecasted to continue to improve in 2015. However, global economic and political headwinds remain. For instance, global market instability and the risk that maturing commercial real estate debt may have difficulties being refinanced, among other factors, may continue to cause periodic volatility in the commercial real estate market for some time. It is currently estimated that approximately $1.4 trillion of commercial real estate debt will mature through 2018. While there is an increased supply of liquidity and improved fundamentals in the commercial real estate market, we still anticipate that certain of these loans will not be able to be refinanced, potentially inhibiting growth and contracting credit.

Virtually all commercial real estate property types were adversely impacted by the credit crisis and subsequent recession, while some such as land, condominium and other commercial property types were more severely impacted. Our commercial real estate equity, debt and securities investments, if any, could be negatively impacted by weak real estate markets and economic conditions. While the U.S. economy is stronger today, a return to weak economic conditions in the future could reduce a tenant's/operator's/resident's/manager's ability to make payments in accordance with the contractual terms and to lease or occupy new space. To the extent that market rental and occupancy rates are reduced, property-level cash flow could be negatively affected.

After showing considerable resiliency during the economic downturn between 2007 and 2010, the non-traded real estate sector experienced strong growth over recent years with approximately $16 billion of equity raised for programs in this space in 2014 alone. We anticipate that capital raising in 2015 will remain strong as we monitor a variety of trends in this industry including a number of regulatory changes like the implementation of Regulatory Notice 15-02 of FINRA and the Department of Labor's recent proposal on a fiduciary standard for retirement accounts. Due to generally positive market dynamics and our Advisor's and its affiliates' expertise and industry relationships, we continue to see a robust pipeline of investment opportunities in the healthcare real estate sector. These investment opportunities have credit qualities and yield profiles that are consistent with our underwriting standards and that we believe offer the opportunity to meet or exceed our targeted returns. While we remain optimistic that we will continue to be able to generate and capitalize on an attractive pipeline of opportunities, there is no assurance that will be the case.

Healthcare Markets

The healthcare real estate equity and finance markets tend to attract new equity and debt capital more slowly than more traditional commercial real estate property types because of barriers to entry for new investors or lenders to healthcare property owners. Investing in and lending to the healthcare real estate sector requires an in-depth understanding of the specialized nature of healthcare facility operations and the healthcare regulatory environment. While these competitive constraints may create opportunities for attractive investments in the healthcare property sector, they may also provide challenges and risks when seeking attractive financing terms for our investments.

We believe owners and operators of senior housing facilities and other healthcare properties are benefiting from demographic trends, specifically the aging of the U.S. population and the increasing demand for care for seniors outside of their homes. As a result of these demographic trends, we expect healthcare costs to increase at a faster rate than the available funding from both private sources and government-sponsored healthcare programs. As healthcare costs increase, insurers, individuals and the U.S. government are pursuing lower cost options for healthcare. Senior housing facilities, such as ALF, MCF, SNF and ILF, for which the staffing requirements and associated costs may be more desirable than higher acuity healthcare settings, such as short or long-term acute-care hospitals, in-patient rehabilitation facilities and other post-acute care settings, provide care and support to residents in cost effective settings. Improved supply and demand fundamentals, resulting from limited development of new medical office space during the recent economic downturn, the need for healthcare services for the aging population and new hospital system strategies have created attractive investment opportunities. Our MOB portfolio focuses on on- and off-campus multi-tenant facilities which require active management and for which some or all of the associated operating expenses can be passed through to the tenants. Recent regulatory changes have created incentives for long-term acute-care hospitals and in-patient rehabilitation facilities to minimize patient lengths of stay and placed limits on the type of patient that can be admitted to these facilities. The growth in total demand for healthcare, broad U.S. demographic changes and the shift towards cost effective community-based settings is resulting in dynamic changes to the healthcare delivery system. We periodically monitor federal and state reimbursement programs and assess any impact that changes in reimbursement levels or the timing of payments may have on the ability of our tenants/operators to meet their payment obligations.

Despite the growth in the industry and favorable market conditions, economic uncertainty may prevail, weakening the market's fundamentals and ultimately reducing a tenant's/operator's ability to make rent payments in accordance with the contractual terms of the lease or loan, as well as the possibility for reduced income for our operating investments. To the extent that market rental and occupancy rates decline, property-level cash flow could be negatively affected as existing leases renew at lower rates and over longer periods of time, the decreased cash flow impacts the value of underlying properties and the borrowers' ability to service their outstanding loans.

Despite the barriers and constraints to investing in the senior housing sector, the demographics and other market dynamics are resulting in the sector becoming more attractive to investors. Merger and acquisition activity in the senior housing real estate market is currently robust and we expect it to remain so into the near term.

Our Strategy

Our primary business objectives are to make investments in our targeted assets that we expect will generate attractive risk-adjusted returns, stable cash flow for distributions and provide downside protection to our stockholders. Some of our investments may be considered transitional in nature because the borrower or owner may have a business plan to improve the collateral and, as a result, generally require the borrower, operator or us to fund interest or other reserves, whether through loan proceeds or otherwise, to support debt service payments and capital expenditures. We, our borrower or owner, and possibly a guarantor, may be required to refill these reserves should they become deficient during the applicable period for any reason. We will also seek to realize growth in the value of our real estate equity investments through appreciation and/or by timing their sale to maximize value. We believe that our Advisor and its affiliates have a platform that derives a potential competitive advantage from the combination of experience, proven track record of successfully managing public companies, deep industry relationships and market leading real estate credit underwriting and capital markets expertise which enables us to manage credit risk across our investments as well as to structure and finance our assets efficiently. We believe that our targeted investment types are complementary to each other due to overlapping sources of investment opportunities, common reliance on real estate fundamentals and ability to apply similar portfolio management and servicing skills to maximize value and to protect capital. We use the net proceeds from our Offering and other financing sources to carry out our primary business objectives of acquiring and originating healthcare real estate-related investments. We believe that mid-acuity senior housing facilities provide an opportunity to generate attractive risk-adjusted returns. Mid-acuity senior housing facilities generally provide the broadest level of services to residents in a more cost-effective setting resulting in a longer length of stay for residents and less turnover in tenancy than can be provided in some other healthcare settings.

We began raising capital in 2013 and completed our Initial Offering on February 2, 2015, after raising total gross proceeds of $1.1 billion and we are currently raising equity through our Follow-on Offering, which was declared effective by the SEC on February 6, 2015. From inception through May 11, 2015, we raised total gross proceeds of $1.2 billion.

The following table presents our investment activity in 2015 and from inception through March 31, 2015, adjusted for commitments to acquire and originate real estate investments through May 11, 2015 (refer to the below and Recent Developments) (dollars in thousands):

	Three Months Ended March 31, 2015	Inception through March 31, 2015
Investment Type:	**Amount (1) (2)**	**Amount (1) (2)**
Real estate equity	$ 1,351,031	$ 2,302,873
Real estate debt	75,000	220,887
Total	$ 1,426,031	$ 2,523,760

(1) Includes net purchase price allocation related to net intangibles, deferred costs, other assets, if any, and adjusted for subsequent capital expenditures. Includes our proportionate interest in real estate held through joint ventures of $1.4 billion.

(2) Includes commitments to acquire and originate our proportionate interest in real estate equity and debt investments for $1.4 billion and $75.0 million, respectively. Refer to Recent Developments.

Financing Strategy

We use asset-level financing as part of our investment strategy and we seek to match-fund our assets and liabilities by having similar lease terms or maturities and like-kind interest rate benchmarks (fixed or floating) to manage refinancing and interest rate risk and utilize non-recourse liabilities whenever possible. Our Advisor is responsible for managing such financing and interest rate risk on our behalf. We intend to pursue a variety of financing arrangements such as mortgage notes, credit facilities, securitization financing transactions and other term borrowings. We continue to seek and prefer long-term, non-recourse financing, including non mark-to-market financing that may be available through securitization. We may, as circumstances warrant, need to use some level of recourse financing.

In November 2013, we entered into a credit facility agreement with initial capacity of $25.0 million and up to $100.0 million of potential capacity to finance real estate investments and first mortgage loans secured by healthcare real estate. In February 2014, we increased the initial capacity to $100.0 million with up to $200.0 million of potential capacity, subject to borrowing base availability. As of March 31, 2015, we had no borrowings outstanding under the credit facility.

Although we have a limitation on the maximum leverage for our portfolio, which approximates 75% of the aggregate cost of our investments, including cash and excluding indirect leverage held through our unconsolidated joint venture investments, before deducting loan loss reserves, other non-cash reserves and depreciation, we do not have a targeted debt-to-equity ratio on an asset-by-asset basis, as we believe the appropriate leverage for the particular assets we finance depends on the specific credit characteristics of each asset. We use leverage for the sole purpose of financing our investments and diversifying our equity and we do not employ leverage to speculate on changes in interest rates. We also seek assignable financing when available. Once we have fully invested the proceeds of our Offering, we expect that our financing may approximate 50% of the cost of our investments, although it may exceed this level during our organization and offering stage.

Borrowing levels for healthcare real estate investments may change depending upon the nature of the assets and the related financing. Our financing strategy for our real estate is typically to use long-term, non-recourse mortgage loans. Our financing strategy for our debt and securities investments is dependent on our ability to obtain match-funded borrowings at rates that provide a positive net spread, generally using credit facilities and securitization financing transactions.

Portfolio Management

Our Advisor and its affiliates maintain a comprehensive portfolio management process that generally includes day-to-day oversight by the portfolio management and servicing team, regular management meetings and an exhaustive quarterly credit review process. These processes are designed to enable management to evaluate and proactively identify asset-specific credit issues and trends on a portfolio-wide basis. For joint venture investments, we may rely on our healthcare-focused joint venture partners to provide certain asset management, property management and/or other services in managing our joint investments. Nevertheless, we cannot be certain that our Advisor's review will identify all issues within our portfolio due to, among other things, adverse economic conditions or events adversely affecting specific assets; therefore, potential future losses may also stem from investments that are not identified during these credit reviews. The portfolio management team, under the direction of the Investment Committee, uses many methods to actively manage our asset base to preserve our income and capital. Credit risk management is the ability to manage our assets in a manner that preserves principal/cost and income and minimizes credit losses that could decrease income and portfolio value. For real estate equity and debt investments, frequent re-underwriting and dialogue with borrowers/operators/managers/tenants/partners and regular inspections of our collateral and owned properties have proven to be an effective process for identifying issues early. In addition, our Advisor considers the impact of regulatory changes on operator performance and property values. During the quarterly credit review, or more frequently as necessary, investments are put on highly-monitored status and identified for possible loan loss reserves/asset impairment, as appropriate, based upon several factors, including missed or late contractual payments, significant declines in collateral performance and other data which may indicate a potential issue in our ability to recover our invested capital from an investment. Our Advisor uses an experienced portfolio management and servicing team that monitors these factors on our behalf.

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 its carrying value may not be recoverable. In conducting these reviews, we consider macroeconomic factors, including real estate sector conditions, together with asset and market specific circumstances among other factors. To the extent an impairment has occurred, the loss will be measured as compared to the carrying amount of the investment. An allowance for a doubtful account for a tenant/operator/resident receivable is established based on a periodic review of aged receivables resulting from estimated losses due to the inability of tenant/operator/resident to make required rent and other payments contractually due. Additionally, we establish, on a current basis, allowance for future operator/tenant credit losses on billed and unbilled rents receivable based upon an evaluation of the collectability of such amounts.

Each of our debt investments is secured by healthcare real estate collateral and requires customized portfolio management and servicing strategies for dealing with potential credit situations. The complexity of each situation depends on many factors, including the number of properties, the type of property, macro and local market conditions impacting supply/demand, cash flow and the financial condition of our collateral and our borrowers'/operators' ability to further support the collateral. Further, many of our investments may be considered transitional in nature because the business plan is to re-position, re-develop or otherwise lease-up the property in order to improve the collateral. At the time of acquisition or origination, the underlying property revenues may not be sufficient to support lease payments, debt service or generate positive net operating income. The business plan may necessitate a lease reserve or interest or other reserves, whether through proceeds from our loans, borrowings, offering proceeds or otherwise, to support lease payments or debt service and capital expenditures during the implementation of the business plan. There may also be a requirement for the borrower, tenant/operator, guarantor or us, to refill these reserves should they become deficient during the applicable period for any reason.

As of March 31, 2015, all of our investments were performing in accordance with the contractual terms of their governing documents, in all material respects. However, there can be no assurance that our investments will continue to perform in accordance with the contractual terms of the governing documents or underwriting and we may, in the future, record loan loss reserves/asset impairment, as appropriate, if required.

Critical Accounting Policies

Principles of Consolidation

Our consolidated financial statements include the accounts of us, our operating partnership and our consolidated subsidiaries. We consolidate variable interest entities, or VIEs, if any, where we are the primary beneficiary and voting interest entities which are generally majority owned or otherwise controlled by us. All significant intercompany balances are eliminated in consolidation.

<u>Variable Interest Entities</u>

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. We base the qualitative analysis on our 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. We reassess the 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. We determine whether we are 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 us 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 our business activities and the other interests. We reassess the determination of whether we are the primary beneficiary of a VIE each reporting period. Significant 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.

We evaluate our investments and financings, including investments in unconsolidated ventures and securitization financing transactions, if any, to determine whether they are a VIE. We analyze 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 March 31, 2015, we have not identified any VIEs related to our investments or financing.

<u>Voting Interest Entities</u>

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 we have a majority voting interest in a voting interest entity, the entity will generally be consolidated. We do not consolidate a voting interest entity if there are substantive participating rights by other parties and/or kick-out rights by a single party.

We perform 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.

<u>Investments in Unconsolidated Ventures</u>

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

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. We record as an expense certain acquisition costs and fees associated with consolidated investments deemed to be business combinations and capitalize these costs for investments deemed to be acquisitions of an asset, including an equity method investment.

We may account for an investment in an unconsolidated entity at fair value by electing the fair value option. We may account for an investment that does not qualify for equity method accounting or for which the fair value option was not elected using the cost method if we determine the investment in the unconsolidated entity is insignificant. Under the cost method, equity in earnings is recorded as dividends are received to the extent they are not considered a return of capital, which is recorded as a reduction of cost of the investment.

Operating Real Estate

We follow the purchase method for an acquisition of operating real estate, where the purchase price is allocated to tangible assets such as land, building, furniture and fixtures, improvements and other identified intangibles. 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 carried at historical cost less accumulated depreciation. Operating real estate is depreciated using the straight-line method over the estimated useful life of the assets. Construction costs incurred in connection with our investments are capitalized and included in operating real estate, net on our consolidated balance sheets. Construction in progress is not depreciated until the development is substantially completed. Costs directly related to an acquisition deemed to be a business combination are expensed and included in transaction costs in our consolidated statements of operations. We evaluate whether a real estate acquisition constitutes a business and whether business combination accounting is appropriate.

Real Estate Debt Investments

Debt investments are generally intended to be held to maturity and, accordingly, are carried at cost, net of unamortized loan fees, premium, discount and unfunded commitments. Debt investments that are deemed to be impaired are carried at amortized cost less a loan loss reserve, if deemed appropriate, which approximates fair value. Debt investments where we do not have the intent to hold the loan for the foreseeable future or until its expected payoff are classified as held for sale and recorded at the lower of cost or estimated value.

Real Estate Securities

We classify our securities investments as available for sale on the acquisition date, which are carried at fair value. Unrealized gains (losses) are recorded as a component of accumulated other comprehensive income, or OCI, in our consolidated statements of equity. However, we may elect the fair value option for certain of our available for sale securities, and as a result, any unrealized gains (losses) on such securities are recorded in unrealized gain (loss) on investments and other in our consolidated statements of operations.

Revenue Recognition

Operating Real Estate

Rental and escalation income from operating real estate is derived from leasing of space to various types of tenants and healthcare operators. The leases are for fixed terms of varying length and generally provide for annual rentals to be paid in monthly installments. Rental income from leases is recognized on a straight-line basis over the term of the respective leases. The excess of rent recognized over the amount contractually due pursuant to the underlying leases is included in receivables on our consolidated balance sheets. Escalation income represents revenue from tenant/operator leases which provide for the recovery of all or a portion of the operating expenses and real estate taxes paid by us on behalf of the respective property, as applicable. This revenue is accrued in the same period as the expenses are incurred.

We also generate operating income from healthcare properties under a RIDEA structure. Revenue related to healthcare properties includes resident room and care charges and other resident charges.

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 our consolidated statements of operations. The amortization of a premium or accretion of a discount is discontinued if such loan is reclassified to held for sale.

Real Estate Securities

Interest income is recognized using the effective interest method with any premium or discount amortized or accreted through earnings based on expected cash flow through the expected maturity date of the security. Changes to expected cash flow may result in a change to the yield which is then applied retrospectively for high-credit quality securities that cannot be prepaid or otherwise settled in such a way that the holder would not recover substantially all of the investment or prospectively for all other securities to recognize interest income.

Credit Losses and Impairment on Investments

Operating Real Estate

Our 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 our operating real estate may be impaired or that its carrying value may not be recoverable. A property’s value is considered impaired if management’s estimate of the aggregate expected future undiscounted cash flow generated by the property is less than the carrying value. In conducting this review, management considers U.S. macroeconomic factors, real estate and healthcare sector conditions and 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 on operating real estate in our consolidated statements of operations.

An allowance for a doubtful account for a tenant/operator/resident receivable is established based on a periodic review of aged receivables resulting from estimated losses due to the inability of tenant/operator/resident to make required rent and other payments contractually due. Additionally, we establish, on a current basis, an allowance for future tenant/operator/resident credit losses on unbilled rent receivable based on an evaluation of the collectability of such amounts.

Real Estate Debt Investments

Loans are considered impaired when, based on current information and events, it is probable that we will not be able to collect principal and interest amounts due according to the contractual terms. We assess the credit quality of the portfolio and adequacy of loan loss reserves on a quarterly basis or more frequently as necessary. Significant judgment of management is required in this analysis. We consider the estimated net recoverable value of the loan as well as other factors, including but not limited to the fair value of any collateral, the amount and the status of any senior debt, the quality and financial condition of the borrower and the competitive situation of the area where the underlying collateral is located. Because this determination is based on projections of future economic events, which are inherently subjective, the amount ultimately realized may differ materially from the carrying value as of the balance sheet date. If upon completion of the assessment, the estimated fair value of the underlying collateral is less than the net carrying value of the loan, a loan loss reserve is recorded with a corresponding charge to provision for loan losses. The loan loss reserve for each loan is maintained at a level that is determined to be adequate by management to absorb probable losses.

Income recognition is suspended for a loan at the earlier of the date at which payments become 90-days past due or when, in the opinion of management, a full recovery of income and principal becomes doubtful. When the ultimate collectability of the principal of an impaired loan is in doubt, all payments are applied to principal under the cost recovery method. When the ultimate collectability of the principal of an impaired loan is not in doubt, contractual interest is recorded as interest income when received, under the cash basis method until an accrual is resumed when the loan becomes contractually current and performance is demonstrated to be resumed. A loan is written off when it is no longer realizable and/or legally discharged. As of March 31, 2015, we did not have any impaired real estate debt investments.

Real Estate Securities

Securities for which the fair value option is elected are not evaluated for other-than-temporary impairment, or OTTI, as any change in fair value is recorded in our consolidated statements of operations. Realized losses on such securities are reclassified to realized gain (loss) on investments and other as losses occur.

Securities for which the fair value option is not elected are evaluated for OTTI quarterly. Impairment of a security is considered to be other-than-temporary when: (i) the holder has the intent to sell the impaired security; (ii) it is more likely than not the holder will be required to sell the security; or (iii) the holder does not expect to recover the entire amortized cost of the security. When a security has been deemed to be other-than-temporarily impaired due to (i) or (ii), the security is written down to its fair value and an OTTI is recognized in our consolidated statements of operations. In the case of (iii), the security is written down to its fair value and the amount of OTTI is then bifurcated into: (a) the amount related to expected credit losses; and (b) the amount related to fair value adjustments in excess of expected credit losses. The portion of OTTI related to expected credit losses is recognized in our consolidated statements of operations. The remaining OTTI related to the valuation adjustment is recognized as a component of accumulated OCI in our consolidated statements of equity. The portion of OTTI recognized through earnings is accreted back to the amortized cost basis of the security through interest income, while amounts recognized through OCI are amortized over the life of the security with no impact on earnings. Real estate securities which are not high-credit quality are considered to have an OTTI if the security has an unrealized loss and there has been an adverse change in expected cash flow. The amount of OTTI is then bifurcated as discussed above.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board, or FASB, issued an accounting update requiring a company to recognize as revenue the amount of consideration it expects to be entitled to in connection with the transfer of promised goods or services to customers. The accounting standard update will replace most of the existing revenue recognition guidance currently promulgated by accounting principles generally accepted in the United States, or U.S. GAAP. In April 2015, the FASB proposed a one-year deferral of the effective date of the new revenue standard to January 1, 2018. We are currently assessing the impact of the update on our consolidated financial position, results of operations and financial statement disclosures.

In February 2015, the FASB issued updated guidance that changes the rules regarding consolidation. The pronouncement eliminates specialized guidance for limited partnerships and similar legal entities and removes the indefinite deferral for certain investment funds. The new guidance is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015, with early adoption permitted. We are currently assessing the impact of the guidance on our consolidated financial position, results of operations and financial statement disclosures.

In April 2015, the FASB issued an accounting update changing the presentation of financing costs in financial statements. Under the new guidance, an entity would present these costs on the balance sheet as a direct deduction from the related financing rather than as an asset. Amortization of the costs would be reported as interest expense. The new guidance is effective for annual periods and interim periods beginning after December 15, 2015, with early adoption permitted. We are currently assessing the impact of the guidance on our consolidated financial position, results of operations and financial statement disclosures.

Results of Operations

Comparison of the Three Months Ended March 31, 2015 to March 31, 2014 (dollars in thousands):

	Three Months Ended March 31,		Increase (Decrease)	
	2015	2014	Amount	%
Revenues				
Resident fee income	$ 3,848	$ 2,932	$ 916	31.2 %
Rental income	3,906	1,032	2,874	278.5 %
Interest income	3,561	483	3,078	637.3 %
Total revenues	11,315	4,447	6,868	154.4 %
Expenses				
Property operating expense	2,746	2,208	538	24.4 %
Interest expense	1,647	611	1,036	169.6 %
Transaction costs	1,416	1,680	(264)	(15.7)%
Asset management and other fees - related party	2,714	2,166	548	25.3 %
General and administrative expenses	2,877	521	2,356	452.2 %
Depreciation and amortization	1,685	699	986	141.1 %
Total expenses	13,085	7,885	5,200	65.9 %
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	(1,770)	(3,438)	1,668	(48.5)%
Equity in earnings (losses) of unconsolidated ventures	(3,589)	—	(3,589)	N/A
Income tax benefit (expense)	345	—	345	N/A
Net income (loss)	$ (5,014)	$ (3,438)	$ (1,576)	45.8 %

Revenues

Resident Fee Income

Resident fee income increase of $0.9 million was attributable to a full quarter of income for RIDEA properties acquired during the first quarter 2014.

Rental Income

Rental income increase of $2.9 million was attributable to new acquisitions in our real estate equity segment subsequent to the first quarter 2014.

Interest Income

Interest income increase of $3.1 million was attributable to new investments in our real estate debt segment subsequent to the first quarter 2014.

Expenses

Property Operating Expenses

Property operating expenses increase of $0.5 million was attributable to a full quarter of expenses for properties acquired in the first quarter 2014.

Interest Expense

Interest expense increase of $1.0 million was primarily attributable to mortgage notes payable associated with new investments in our real estate equity segment subsequent to the first quarter 2014.

Transaction Costs

Transaction costs primarily represented expenses such as professional fees associated with new real estate equity investments. Transaction costs decrease of $0.3 million was related to higher acquisitions in our real estate equity segment completed in the first quarter 2014.

Asset Management and Other Fees - Related Party

Asset management and other fees - related party were incurred in our corporate segment and increased $0.5 million due to higher asset management fees on invested equity in 2015.

General and Administrative Expenses

General and administrative expenses are incurred at the corporate level. General and administrative expenses include auditing and professional fees, director fees, organization and other costs associated with operating our business. General and administrative expenses increase of $2.4 million was primarily attributable to increased operating costs in 2015.

Depreciation and Amortization

Depreciation and amortization expense increase of $1.0 million was primarily related to new acquisitions in our real estate equity segment subsequent to the first quarter 2014.

Equity in Earnings (Losses) of Unconsolidated Ventures and Income Tax Benefit (Expense)

Equity in Earnings (Losses) of Unconsolidated Ventures

For the three months ended March 31, 2015, the Company recognized in equity in losses, operating income of $2.9 million, which includes $6.5 million of depreciation and amortization expense.

Income Tax Benefit (Expense)

The income tax benefit for the three months ended March 31, 2015 represents a net benefit of $0.3 million related to our healthcare portfolio operating under a RIDEA structure. The income tax expense for the three months ended March 31, 2014 was an immaterial amount.

Liquidity and Capital Resources

We require capital to fund our investment activities, operating expenses and to make distributions. We obtain the capital required to acquire and manage our healthcare real estate portfolio and conduct our operations from the proceeds of our Offering and any future offerings we may conduct. We access additional capital from secured or unsecured financings from banks and other lenders and from any undistributed funds from our operations. As of May 11, 2015, we had $464.6 million of cash.

Offering

From inception through May 11, 2015, we raised total gross proceeds of $1.2 billion.

On February 6, 2015, our registration statement on Form S-11 was declared effective by the SEC for our Follow-on Offering, of up to $700.0 million, which includes up to $500.0 million in shares pursuant to our Follow-on Primary Offering and up to $200.0 million in shares pursuant to our Follow-on DRP. We reserve the right to reallocate shares of our common stock being offered between our Follow-on Primary Offering and our Follow-on DRP. We expect our Follow-on Offering to terminate on the earlier of two years following the effective date or once the maximum number of shares offered are sold. However, our board of directors may determine to terminate our Offering at any time. We began raising capital from our Follow-on Offering at the end of February 2015.

While we raised substantial funds through our Offering, the number and size of investments we make and the value of an investment in us may fluctuate with the performance of the specific assets we acquire. Further, we have certain fixed direct and indirect operating expenses, including certain expenses as a publicly offered REIT.

Our charter limits us from incurring borrowings that would exceed 300% 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 calculation is 75% of the cost of our investments, including cash and excluding indirect leverage held through our unconsolidated joint venture investments. As of March 31, 2015, our leverage as a percentage of our cost of investments was

27%. Once we have fully invested the proceeds of our Offering, we expect that our financing may approximate 50% of the cost of our investments, although it may exceed this level during our organization and offering stage.

In addition to making investments in accordance with our investment objectives, we use our capital resources to make certain payments to our Advisor, our Prior Advisor and our Dealer Manager. During our organization and offering stage, these payments include payments to our Dealer Manager for selling commissions and dealer manager fees and payments to our Advisor, Prior Advisor or their affiliates, as applicable, for reimbursement of certain organization and offering costs. However, we will not be obligated to reimburse our Advisor, or its affiliates, as applicable, to the extent that the aggregate of selling commissions, dealer manager fees and other organization and offering costs incurred by us exceed 15% of gross proceeds from our Primary Offering. During our acquisition and development stage, we expect to make payments to our Advisor, or its affiliates, as applicable, in connection with the selection and origination or acquisition of investments, the management of our assets and costs incurred by our Advisor in providing services to us. On June 30, 2014, we entered into a new advisory agreement with our Advisor, on terms substantially similar to those set forth in our prior advisory agreement with our Prior Advisor, which has a one-year term but may be renewed for an unlimited number of successive one-year periods upon the mutual consent of our Advisor and our board of directors, including a majority of our independent directors.

Term Loan Facility

We currently have one credit facility, or our Term Loan Facility, with initial capacity of up to $100.0 million and potential capacity of up to $200.0 million, subject to borrowing base availability. Our Term Loan Facility allows us to finance real estate investments and first mortgage loans secured by healthcare real estate. The advance rate depends on asset type and characteristic and the interest rate depends on our leverage as a percentage of total assets, as defined in the governing documents. The initial maturity date of our Term Loan Facility is November 2016, with a one-year extension available at our option, subject to the satisfaction of certain customary conditions. Our Term Loan Facility contains representations, warranties, covenants, conditions precedent to funding, events of default and indemnities that are customary for agreements of this type. We are currently in compliance with all of our financial covenants under our Term Loan Facility. As of March 31, 2015, we had no borrowings outstanding under our Term Loan Facility.

Cash Flows

The following presents a summary of our consolidated statements of cash flows for the three months ended March 31, 2015 and 2014 (dollars in thousands):

	Three Months Ended March 31,	
Cash flow provided by (used in):	2015	2014
Operating activities	$ 3,992	$ (2,967)
Investing activities	(13,034)	(96,247)
Financing activities	207,352	129,215
Net increase (decrease) in cash	$ 198,310	$ 30,001

Three Months Ended March 31, 2015 Compared to March 31, 2014

Net cash provided by operating activities was $4.0 million for the three months ended March 31, 2015 compared to cash used in operating activities of $3.0 million for the three months ended March 31, 2014. The increase in net cash provided by operating activities was primarily related to an increase in income generated from our real estate equity and debt investments partially offset by an increase in fees paid to our Advisor for the management of our investments, an increase in general and administrative expenses due to an increase in operational activity and an increase in interest expense due to additional borrowings on mortgage notes.

Net cash used in investing activities was $13.0 million for the three months ended March 31, 2015 compared to $96.2 million for the three months ended March 31, 2014. The decrease in net cash used in investing activities primarily related to real estate equity and debt investments made in the first quarter 2014 and no new investments in the first quarter 2015.

Net cash provided by financing activities was $207.4 million for the three months ended March 31, 2015 compared to $129.2 million for the three months ended March 31, 2014. The increase in net cash provided by financing activities primarily related to an increase in net proceeds from the issuance of common stock through our Offering and our borrowings from mortgage notes, partially offset by distributions paid on our common stock.

Off-Balance Sheet Arrangements

We have certain arrangements which do not meet the definition of off-balance sheet arrangements, but do have some of the characteristics of off-balance sheet arrangements. We have made investments in unconsolidated ventures. Refer to Note 4.

"Investments in Unconsolidated Ventures" in Item 1. "Financial Statements" for a discussion of such unconsolidated ventures in our consolidated financial statements. In each case, our exposure to loss is limited to the carrying value of our investment.

We also entered into a limited guarantee with a maximum liability of up to $8.75 million in connection with our pending acquisitions.

Related Party Arrangements

Advisor

In connection with the completion of NorthStar Realty's spin-off of its asset management business into our Sponsor, on June 30, 2014, we entered into a new advisory agreement with our Advisor, an affiliate of our Sponsor, on terms substantially similar to those set forth in the prior advisory agreement, and terminated the advisory agreement with our Prior Advisor. For periods prior to June 30, 2014, the information below regarding fees and reimbursements incurred and accrued but not yet paid relates to our Prior Advisor.

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

Fees to Advisor

Asset Management Fee

Our Advisor, or its affiliates, receives a monthly asset management fee equal to one-twelfth of 1.0% of the sum of the amount funded or allocated for investments, including expenses and any financing attributable to such investments, less any principal received on debt and securities investments (or our proportionate share thereof in the case of an investment made through a joint venture).

Acquisition Fee

Our Advisor, or its affiliates, also receives an acquisition fee equal to 2.25% of each real estate property acquired by us, including acquisition costs and any financing attributable to an equity investment (or our proportionate share thereof in the case of an equity investment made through a joint venture) and 1.0% of the amount funded or allocated by us to acquire or originate debt investments, including acquisition costs and any financing attributable to such investments (or our proportionate share thereof in the case of an investment made through a joint venture). An acquisition fee incurred related to an equity investment will generally be expensed as incurred. An acquisition fee paid to our Advisor related to the acquisition of an equity or debt investment in an unconsolidated joint venture is included in investments in unconsolidated ventures on our consolidated balance sheets. An acquisition fee paid to our Advisor related to the origination or acquisition of debt investments is included in debt investments, net on our consolidated balance sheets and is amortized to interest income over the life of the investment using the effective interest method.

Disposition Fee

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

Reimbursements to Advisor

Operating Costs

Our Advisor, or its affiliates, is entitled to receive reimbursement for direct and indirect operating costs incurred by our Advisor in connection with administrative services provided to us. Indirect operating costs include our allocable share of costs incurred by our Advisor for personnel and other overhead such as rent, technology and utilities. However, there is no reimbursement for personnel costs related to executive officers and other personnel involved in activities for which our Advisor receives an acquisition fee or a disposition fee. We reimburse our Advisor quarterly for operating costs (including the asset management fee) based on a calculation for the four preceding fiscal quarters not to exceed the greater of: (i) 2.0% of our average invested assets; or (ii) 25.0% of our net income determined without reduction for any additions to reserves for depreciation, loan losses or other similar non-cash reserves and excluding any gain from the sale of assets for that period. Notwithstanding the above, we may reimburse our Advisor for expenses in excess of this limitation if a majority of our independent directors determines that such excess expenses are justified based on unusual and non-recurring factors. We calculate the expense reimbursement quarterly based upon the trailing twelve-month period.

Organization and Offering Costs

Our Advisor, or its affiliates, is entitled to receive reimbursement for organization and offering costs paid on behalf of us in connection with our Offering. We are obligated to reimburse our Advisor, or its affiliates, as applicable, for organization and offering costs to the extent the aggregate of selling commissions, dealer manager fees and other organization and offering costs do not exceed 15% of gross proceeds from our Primary Offering. Our Advisor does not expect reimbursable organization and offering costs, including costs incurred in connection with our Follow-on Offering but excluding selling commissions and dealer manager fees, to exceed $22.5 million, or 1.5% of the total proceeds available to be raised from our Primary Offering. We shall not reimburse our Advisor for any organization and offering costs that our independent directors determine are not fair and commercially reasonable to us.

Dealer Manager

Selling Commissions and Dealer Manager Fees

Pursuant to a dealer manager agreement, we pay our Dealer Manager selling commissions of up to 7.0% of gross proceeds from our Primary Offering, all of which are reallowed to participating broker-dealers. In addition, we pay our Dealer Manager a dealer manager fee of up to 3.0% of gross proceeds from our Primary Offering, a portion of which is typically reallowed to participating broker-dealers and paid to certain employees of our Dealer Manager. No selling commissions or dealer manager fees are paid for sales pursuant to our DRP.

Summary of Fees and Reimbursements

The following table presents the fees and reimbursements incurred to our Advisor and our Dealer Manager for the three months ended March 31, 2015 and 2014 and the amount due to related party as of March 31, 2015 and December 31, 2014 (dollars in thousands):

		Three Months Ended March 31,		Due to Related Party as of	
Type of Fee or Reimbursement	**Financial Statement Location**	**2015**	**2014**	**March 31, 2015**	**December 31, 2014**
Fees to Advisor					
Asset management	Asset management and other fees-related party	$ 2,709	$ 327	$ 903	$ 6
Acquisition [1]	Real estate debt investments, net / Investments in unconsolidated ventures / Asset management and other fees-related party	(13)	1,985	(13)	245
Disposition [1]	Real estate debt investments, net	—	—	—	—
Reimbursements to Advisor					
Operating costs	General and administrative expenses	2,708	401	2,720	12
Organization	General and administrative expenses	5	75	7	2
Offering	Cost of capital [2]	685	1,434	1,175	490
Selling commissions / Dealer manager fees	Cost of capital [2]	12,386	9,798	—	—
Total				$ 4,792	$ 755

(1) Acquisition/disposition fees incurred to our Advisor related to debt investments are generally offset by origination/exit fees paid to us by borrowers if such fees are required from the borrower. Acquisition fees related to equity investments are included in asset management and other fees - related party in our consolidated statements of operations. Acquisition fees related to investments in unconsolidated joint ventures are included in investments in unconsolidated ventures on our consolidated balance sheets. Our Advisor may determine to defer fees or seek reimbursement.

(2) Cost of capital is included in net proceeds from issuance of common stock in our consolidated statements of equity.

NorthStar Realty Purchase of Common Stock

On January 29, 2015, our board of directors approved an amended and restated distribution support agreement, or our Distribution Support Agreement, extending the term until February 6, 2017. Pursuant to our Distribution Support Agreement, NorthStar Realty committed to purchase up to an aggregate of $10.0 million in shares of our common stock at a price of $9.00 per share during our Initial Offering and at $9.18 per share during our Follow-on Offering, if cash distributions exceed MFFO to provide additional funds to support distributions to stockholders. In February 2013, NorthStar Realty purchased 222,223 shares of our common stock for $2.0 million under our Distribution Support Agreement to satisfy the minimum offering requirement, which reduced the total commitment. As of March 31, 2015, including the purchase of shares to satisfy the minimum offering requirement, NorthStar Realty purchased 303,248 shares of our common stock for $2.7 million with $7.3 million remaining outstanding under such commitment.

Investments in Joint Ventures

In May 2014, we, through a general partnership with NorthStar Realty, acquired a 5.6% interest in a $1.1 billion healthcare real estate portfolio and contributed $23.4 million of cash for our interest in the investment. The purchase was approved by our board of directors, including all of its independent directors.

In December 2014, we, through a general partnership with NorthStar Realty, acquired an interest in the Griffin-American portfolio. We acquired an interest of 14.3% for $187.2 million in cash, including our pro rata share of transaction costs. The purchase was approved by our board of directors, including all of our independent directors.

In connection with the acquisition of the Griffin-American portfolio by NorthStar Realty and us, our Sponsor acquired an approximate 45%, as adjusted, ownership interest in American Healthcare Investors LLC, or AHI and Mr. James F. Flaherty III, a strategic partner of our Sponsor and our Vice Chairman, acquired a 12.3% ownership interest in AHI. AHI is a healthcare-focused real estate investment management firm that co-sponsored and advised Griffin-American, until Griffin-American was acquired by us and NorthStar Realty. In connection with our Sponsor's acquisition of an interest in AHI, AHI provides certain management and related services, including property management, to our Advisor, NorthStar Realty and us. Initially, AHI provides such services to us only with respect to our interest in the Griffin-American portfolio or in connection with certain joint acquisitions with NorthStar Realty and, following completion of our Offering and full investment of the proceeds, AHI may provide such services to a larger subset or all of our assets. Consequently, AHI will assist our Advisor in managing the Griffin-American portfolio and other current and future healthcare assets owned by us and NorthStar Realty.

Recent Developments

Common Stock from Offering

For the period from April 1, 2015 through May 11, 2015, we issued 5.3 million shares of common stock representing gross proceeds of $53.3 million.

Distribution Reinvestment Plan

For the period from April 1, 2015 through May 11, 2015, we issued 0.7 million shares pursuant to the DRP representing gross proceeds of $7.1 million.

Distributions

On May 12, 2015, our board of directors approved a daily cash distribution of $0.00184932 per share of common stock for each of the three months ended September 30, 2015. Distributions are generally paid to stockholders on the first business day of the month following the month for which the distribution was accrued.

NorthStar Realty Purchase of Common Stock

On May 12, 2015, our board of directors approved the sale of 0.2 million shares of our common stock for $1.6 million to NorthStar Realty, pursuant to our Distribution Support Agreement.

Share Repurchases

From April 1, 2015 through May 11, 2015, we repurchased 43,273 shares for a total of $0.4 million or a weighted average price of $9.45 per share under a share repurchase program, or our Share Repurchase Program, that enables stockholders to sell their shares to us in certain circumstances, including death or a qualifying disability.

New Investments

Espresso Joint Venture

We, together with Formation Capital, LLC and Safanad Management Limited, agreed to acquire the U.S.-based operations of Extendicare International Inc., a $870.0 million portfolio consisting of 152 SNF and six ALF located across 12 states, with the largest concentrations in Indiana, Kentucky, Ohio, Michigan and Wisconsin, which will be owned 40% by us. The Company may invest up to $165.0 million, including a $75.0 million mezzanine loan.

Winterfell Joint Venture

In April 2015, we and NorthStar Realty entered into an agreement to acquire a $875.0 million ILF portfolio comprised of 32 properties totaling 3,983 units located in 12 different states, which will be owned 60% by NorthStar Realty and 40% by us. We previously funded deposits of $26.2 million toward the purchase of the portfolio.. The acquisition will be financed with a ten-year, fixed rate, $648.2 million mortgage note payable.

Fountains Joint Venture

In February 2015, we entered into an agreement to acquire a $640 million CCRC portfolio of which nine properties will be operated as rental CCRC, or our Rental Properties, and six as entrance fee CCRC, or our Entrance Fee Properties, and together with our Rental Properties, our Fountains Portfolio. The Fountains Portfolio contains approximately 3,637 units, including 23 contracted life estate units and is located in 11 states. Our Entrance Fee Properties will be acquired by us and leased to affiliates of The Freshwater Group, Inc., or Freshwater, pursuant to a master net lease. Our Rental Properties will be purchased by a joint venture formed in April 2015 between us and affiliates of Freshwater and will be held under a RIDEA structure. We and Freshwater will own 97.0% and 3.0%, respectively, of the joint venture. We previously funded deposits of $28.2 million toward the purchase of our Fountains Portfolio. The acquisition will be financed with a ten-year, fixed rate, $410.0 million mortgage note payable.

There can be no assurance that we will complete the transactions that are under contract described above on the terms contemplated or at all.

Inflation

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

Refer to Item 3. "Quantitative and Qualitative Disclosures About Market Risk" for additional details.

Non-GAAP Financial Measures

Funds from Operations and Modified Funds from Operations

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

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

Acquisition fees paid to our Advisor in connection with the origination and acquisition of debt investments are amortized over the life of the investment as an adjustment to interest income under U.S. GAAP and are therefore included in the computation of net income (loss) and income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense), both of which are performance measures under U.S. GAAP. Such acquisition fees are paid in cash that would otherwise be available to distribute to our stockholders. In the event that proceeds from our Offering are not sufficient to fund the payment or reimbursement of acquisition fees and expenses to our Advisor, such fees would be paid from other sources, including new financing, operating cash flow, net proceeds from the sale of investments or from other cash flow. We believe that acquisition fees incurred by us negatively impact our operating performance during the period in which such investments are acquired or originated by reducing cash flow and therefore the potential distributions to our stockholders. However, in general, we earn origination fees for debt investments from our borrowers in an amount equal to the acquisition fees paid to our Advisor, and as a result, the impact of acquisition fees to our operating performance and cash flow would be minimal.

Acquisition fees and expenses paid to our Advisor and third parties in connection with the acquisition of equity investments are considered expenses and are included in the determination of net income (loss) and income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense), both of which are performance measures under U.S. GAAP. Such fees and expenses will not be reimbursed by our Advisor or its affiliates and third parties, and therefore, if there are no further proceeds from the sale of shares of our common stock to fund future acquisition fees and expenses, such fees and expenses will need to be paid from either additional debt, operating earnings, cash flow or net proceeds from the sale of properties or investments. All paid and accrued acquisition fees and expenses will have negative effects on future distributions to stockholders and cash flow generated by us, unless earnings from operations or net sales proceeds from the disposition of other properties are generated to cover the purchase price of the property, these fees and expenses and other costs related to such property.

The origination and acquisition of debt investments and the corresponding acquisition fees paid to our Advisor (and any offsetting origination fees received from our borrowers) associated with such activity is a key operating feature of our business plan that results in generating income and cash flow in order to make distributions to our stockholders. Therefore, the exclusion for acquisition fees may be of limited value in calculating operating performance because acquisition fees affect our overall long-term operating performance and may be recurring in nature as part of net income (loss) and income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense) over our life.

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

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

We define MFFO in accordance with the concepts established by the IPA and adjust for certain items, such as accretion of a discount and amortization of a premium on borrowings and related deferred financing costs, as such adjustments are comparable to adjustments for debt investments and will be helpful in assessing our operating performance. We also adjust MFFO for deferred tax benefit or expense, as applicable, as such items are not indicative of our operating performance. 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 cash flow generated by operations. 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;

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

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

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

We believe that MFFO is a useful non-GAAP measure for non-traded REITs. It is helpful to management and stockholders in assessing our future operating performance once our organization and offering and acquisition and development stages are complete, because it eliminates from net income non-cash fair value adjustments on our real estate securities and acquisition fees and expenses that are incurred as part of our investment activities. However, MFFO may not be a useful measure of our operating performance or as a comparable measure to other typical non-traded REITs if we do not continue to operate in a similar manner to other non-traded REITs, including if we were to extend our acquisition and development stage or if we determined not to pursue an exit strategy.

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

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

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

	Three Months Ended March 31,	
	2015	2014
Funds from operations:		
Net income (loss) attributable to NorthStar Healthcare Income, Inc. common stockholders	$ (5,013)	$ (3,410)
Adjustments:		
Depreciation and amortization	1,685	699
Depreciation and amortization related to unconsolidated ventures	6,240	—
Depreciation and amortization related to non-controlling interests	(17)	(13)
Funds from operations	$ 2,895	$ (2,724)
Modified funds from operations:		
Funds from operations	$ 2,895	$ (2,724)
Adjustments:		
Acquisition fees and transaction costs	1,401	3,489
Straight-line rental (income) loss	(658)	(112)
Amortization of premiums, discounts and fees on investments and borrowings, net	329	183
Deferred tax (benefit) expense	(226)	—
Adjustments related to unconsolidated ventures	1,948	—
Adjustments related to non-controlling interests	2	(27)
Modified funds from operations	$ 5,691	$ 809

Distributions Declared and Paid

We generally pay distributions on a monthly basis based on daily record dates. From the date of our first investment on April 5, 2013 through March 31, 2015, we paid distributions at an annualized distribution rate of 6.75%, assuming a purchase price of $10.00 per share of common stock for our Initial Primary Offering, and 6.62%, assuming a purchase price of $10.20 per share of common stock for our Follow-on Primary Offering. Distributions are generally paid to stockholders on the first business day of the month following the month for which the distribution has accrued.

The following table presents distributions declared for the three months ended March 31, 2015 and for the year ended December 31, 2014 (dollars in thousands):

	Three Months Ended March 31, 2015		Year Ended December 31, 2014	
Distributions (1)				
Cash	$ 8,023		$ 11,897	
DRP	10,143		14,744	
Total	$ 18,166		$ 26,641	
Sources of Distributions (1)				
FFO (2)	$ 2,895	16%	$ —	—%
Offering Proceeds - Distribution Support	1,631	9%	629	2%
Offering proceeds - Other	13,640	75%	26,012	98%
Total	$ 18,166	100%	$ 26,641	100%
Cash Flow Provided by (Used in) Operations	$ 3,992		$ (1,920)	

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

(2) From inception of our first investment on April 5, 2013 through March 31, 2015, we declared $46.1 million in distributions. Cumulative FFO for the period from April 5, 2013 through March 31, 2015 was negative $6.9 million. We used $2.9 million of FFO to pay distributions for the three months ended March 31, 2015 and no FFO was used to pay distributions for the year December 31, 2014.

Distributions in excess of our cash flow provided by operations were paid using Offering proceeds, including from the purchase of additional shares by NorthStar Realty. Over the long-term, we expect that our distributions will be paid entirely from cash flow provided by operations. However, our operating performance cannot be accurately predicted and may deteriorate in the future due to numerous factors, including our ability to raise and invest capital at favorable yields, the financial performance of our investments in the current real estate and financial environment, the type and mix of our investments and accounting of our investments in accordance with U.S. GAAP. Future distributions declared and paid may exceed cash flow provided by operations. To the extent distributions are paid from sources other than FFO, the ownership interest of our public stockholders will be diluted.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk

Changes in interest rates affect our net interest income, which is the difference between the income earned on our investments and the interest expense incurred in connection with our borrowings and derivatives.

Our debt and securities investments bear interest at either a floating or fixed-rate. The interest rate on our floating-rate assets is a fixed spread over an index such as LIBOR and typically reprices every 30 days based on LIBOR in effect at the time. Currently, some of our floating-rate debt investments have a fixed minimum LIBOR rate that is in excess of current LIBOR. We will not benefit from an increase in LIBOR until it is in excess of the LIBOR floors. Given the frequent and periodic repricing of our floating-rate assets, changes in benchmark interest rates are unlikely to materially affect the value of our floating-rate portfolio. Changes in short-term rates will, however, affect income from our investments. As of March 31, 2015, some of our floating-rate investments had LIBOR floors in excess of the current LIBOR rate, so a hypothetical 100 basis point increase in interest rates (including the effect of the interest rate floor) would increase income by $0.6 million annually.

A change in interest rates could affect the value of our fixed-rate debt investments. For instance, an increase in interest rates would result in a higher required yield on investments, which would decrease the value on existing fixed-rate investments in order to adjust their yields to current market levels. We had no fixed-rate debt investments as of March 31, 2015.

Credit Spread Risk

The value of our fixed and floating-rate investments also changes with market credit spreads. This means that when market-demanded risk premium, or credit spread, increases, the value of our fixed and floating-rate assets decrease and vice versa. Fixed-rate assets are valued based on a market credit spread over the rate payable on fixed-rate U.S. Treasury of like maturity. This means that their value is dependent on the yield demanded on such assets by the market, based on their credit relative to U.S. Treasuries. The floating-rate debt and securities investments are valued based on a market credit spread over the applicable LIBOR. Demand for a higher yield on investments results in higher or "wider" spread over the benchmark rate (usually the applicable U.S. Treasury yield) to value these assets. Under these conditions, the value of our portfolio should decrease. Conversely, if the spread used to value these assets were to decrease or "tighten," the value of these assets should increase.

Credit Risk

Credit risk in our debt and securities investments relates to each individual borrower's ability to make required interest and principal payments on scheduled due dates. We seek to manage credit risk through our Advisor's comprehensive credit analysis prior to making an investment, actively monitoring our portfolio and the underlying credit quality, including subordination and diversification of our portfolio. Our analysis is based on a broad range of real estate, financial, economic and borrower-related factors which we believe are critical to the evaluation of credit risk inherent in a transaction. For the three months ended March 31, 2015, two debt investments each contributed more than 10% of interest income.

We are subject to the credit risk of the lessee of operators of our healthcare properties. We undertake a rigorous credit evaluation of each healthcare operator prior to acquiring healthcare properties. This analysis includes an extensive due diligence investigation of the operator's business as well as an assessment of the strategic importance of the underlying real estate to the operator's core business operations. Where appropriate, we may seek to augment the operator's commitment to the facility by structuring various credit enhancement mechanisms into the underlying leases. These mechanisms could include security deposit requirements or guarantees from entities we deem creditworthy. In addition, we actively monitor lease coverage at each facility within our healthcare portfolio. However, approximately 49% of our operator revenues are derived from government sources, notably Medicare or Medicaid. Previously announced and potential future changes to these programs may have a material impact on the valuation and financial performance of this portion of our portfolio.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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 Securities Exchange Act of 1934, as amended, or 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.

Internal Control over Financial Reporting

Changes in Internal Control over Financial Reporting.

There have not been any changes in the Company's 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, the Company's internal control over financial reporting.

PART II. Other Information

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There are no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, as filed with the SEC on March 27, 2015, except as noted below.

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

Our organizational documents permit us to pay distributions from any source, including Offering proceeds, borrowings, our Advisor's agreement to defer, reduce or waive fees (or accept, in lieu of cash, shares of our common stock) or sales of assets or we may make distributions in the form of taxable stock dividends. We have not established a limit on the amount of proceeds we may use to fund distributions. We have funded our cash distributions paid to date using net proceeds from our Offering and we may do so in the future. Until the proceeds from our Offering are fully invested and otherwise during the course of our existence, we may not generate sufficient cash flow from operations to fund distributions. Distributions declared may be paid using proceeds from our Offering, including the purchase of additional shares by our Sponsor. For the three months ended March 31, 2015, we declared distributions of $18.2 million compared to cash provided by operating activities of $4.0 million and $15.3 million, or 84%, of the distributions declared during this period were paid using proceeds from our Offering, including the purchase of additional shares by NorthStar Realty. For the year ended December 31, 2014, we declared distributions of $26.6 million compared to cash used in operations of $1.9 million. All distributions declared during this period were paid using proceeds from our Offering, including the purchase of additional shares by NorthStar Realty.

Pursuant to our Distribution Support Agreement, in certain circumstances where our cash distributions exceed our MFFO, our Sponsor agreed to purchase up to $10.0 million of shares of our common stock at $9.00 per share during the Initial Offering and at $9.18 per share during the Follow-on Offering (which includes the $2.0 million of shares our Sponsor purchased by an affiliate of our Sponsor to satisfy the minimum offering amount) to provide additional cash to support distributions to stockholders and has, in fact, purchased 303,248 shares of our common stock as of March 31, 2015. The sale of these shares resulted in the dilution of the ownership interests of our public stockholders. Upon termination or expiration of our Distribution Support Agreement, we may not have sufficient cash available to pay distributions at the rate we had paid during preceding periods or at all. If we pay distributions from sources other than our cash flow provided by operations, we will have less cash available for investments we may have to reduce our distribution rate, our book value may be negatively impacted and stockholders' overall return may be reduced.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Use of Proceeds from Registered Securities

On August 7, 2012, our registration statement on Form S-11 (File No. 333-170802), covering our Initial Offering of up to 110,526,315 shares of common stock was declared effective under Securities Act of 1933, as amended, or the Securities Act. We completed our Initial Offering on February 2, 2015 and all of the shares initially registered were issued.

On February 6, 2015, our registration statement on Form S-11 (File No. 333-199125), covering our Follow-on Offering of up to $700.0 million which includes up to $500.0 million in shares pursuant to our Follow-on Primary Offering and up to $200.0 million in shares pursuant to our Follow-on DRP, was declared effective under the Securities Act. We are offering shares of common stock pursuant to our Follow-on Offering at $10.20 per share with discounts available to certain categories of purchasers and shares of common stock pursuant to our DRP at $9.69 per share.

As of March 31, 2015, we issued the following shares of common stock and raised the following gross proceeds in connection with our Offering (dollars and shares in thousands):

	Shares	Proceeds
Primary Offering	109,560	$ 1,092,829
DRP	2,306	21,967
Total (1)	111,866	$ 1,114,796

(1) Our Initial Offering was completed on February 2, 2015.

For the period from the commencement of our Follow-on Offering through March 31, 2015, we issued 1.3 million shares of common stock generating total gross proceeds of $13.3 million pursuant to our Follow-on Offering, including 0.3 million shares of common stock and $3.2 million of gross proceeds pursuant to our Follow-on DRP.

From the commencement of our Offering through March 31, 2015, we incurred $73.9 million in selling commissions, $32.7 million in dealer manager fees and $6.7 million in other offering costs in connection with the issuance and distribution of our registered securities and $87.3 million of these costs have been reallowed to third parties.

From the commencement of our Offering through March 31, 2015, the net proceeds to us from our Offering, after deducting the total expenses incurred described above, were $1.0 billion. From the commencement of our Offering through March 31, 2015, we used proceeds of $425.1 million to purchase real estate equity investments, $145.0 million to acquire and originate real estate debt investments and $22.5 million to pay our Advisor acquisition fees.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We adopted our Share Repurchase Program effective August 7, 2012, which enables stockholders to sell their shares to us in limited circumstances. We may not repurchase shares unless a stockholder has held shares for at least one year. However, we may repurchase shares held for less than one year in connection with a stockholder's death or qualifying disability, if the disability is deemed qualifying by our board of directors in their sole discretion and after receiving written notice from the stockholder or the stockholder's estate. We are not obligated to repurchase shares under our Share Repurchase Program. We fund repurchase requests received during a quarter with proceeds set aside for that purpose which are not expected to exceed proceeds received from our DRP. However, to the extent that the aggregate DRP proceeds are not sufficient to fund repurchase requests, our board of directors may, in its sole discretion, choose to use other sources of funds. Our board of directors may, in its sole discretion, amend, suspend or terminate our Share Repurchase Program at any time upon ten days' notice except that changes in the number of shares that can be repurchased during any calendar year will take effect only upon ten business days' prior written notice. In addition, our Share Repurchase Program will terminate in the event a secondary market develops for our shares or until our shares are listed on a national exchange or included for quotation in a national securities market. Pursuant to amended FINRA Rules 2310 and 2340, we expect to establish an estimated value per share by April 11, 2016, the effective date of the amended rules, or the Valuation Date. For purposes of our Follow-on Offering, prior to the Valuation Date, unless the shares are being repurchased in connection with a stockholder's death or qualifying disability, we will repurchase shares at a price equal to, or at a discount from, the purchase price paid for the shares being repurchased at varying prices based on the period such shares have been held. After the Valuation Date, unless the shares are being repurchased in connection with a stockholder's death or qualifying disability, we will repurchase shares at 95% of the most recently determined estimated value per share; provided that at any time we are engaged in a primary offering of our shares, the repurchase price for our shares will not exceed the primary offering price.

For the three months ended March 31, 2015, we repurchased shares of our common stock as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan or Program
January 1 to January 31	—	$ —	—	(1)
February 1 to February 28	74,298	9.90	74,298	(1)
March 1 to March 31	—	—	—	(1)
Total	74,298	$ 9.90	74,298	

(1) Subject to funds being available, we will limit the number of shares redeemed pursuant to our Share Repurchase Program to: (i) 5.0% of the weighted average number of shares of our common stock outstanding during the prior calendar year; and (ii) those that could be funded from the net DRP proceeds in the prior calendar year plus such additional funds as may be reserved for that purpose by our board of directors; provided, however, that the above volume limitations shall not apply to repurchases requested within two years after the death or qualifying disability of a stockholder.

As of March 31, 2015, we had no unfulfilled repurchase requests.

Unregistered Sales of Equity Securities

During the three months ended March 31, 2015, we did not issue any equity securities that were not registered under the Securities Act. All prior sales of unregistered securities have been previously reported on quarterly reports on Form 10-Q and annual reports on Form 10-K.

Item 6. Exhibits

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	Form of Subscription Agreement (included as Exhibit A to Supplement No. 2, dated March 27, 2015 to the Prospectus dated February 6, 2015 (File No. 333-199125) and incorporated herein by reference)
4.2	Distribution Reinvestment Plan (filed as Exhibit 4.2 to Pre-Effective Amendment No. 2 to the Company's Registration Statement on Form S-11 (File No. 333-199125) and incorporated herein by reference)
10.1*	Fourth Amended and Restated Distribution Support Agreement, by and between NorthStar Realty Finance Corp. and NorthStar Healthcare Income, Inc.
10.2	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)
10.3	Fourth Amendment to Credit Agreement and Other Loan Documents, dated as of February 19, 2015, by and among NorthStar Healthcare Income Operating Partnership, LP, NorthStar Healthcare Income, Inc., NRFC Blackhawk Holdings, LLC, Hilltopper Assisted Living, LLC, and Key Bank National Association (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 25, 2015 and incorporated herein by reference)
10.4	Purchase and Sale Agreement and Joint Escrow Instructions, dated as of February 18, 2015, by and among the Seller and Fountains Portfolio Owner, LLC (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 15, 2015 and incorporated herein by reference)
10.5	Amendment to Purchase and Sale Agreement and Joint Escrow Instructions, dated as of March 25, 2015, by and among the Seller and Fountains Portfolio Owner, LLC (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 15, 2015 and incorporated herein by reference)
10.6	Second Amendment to Purchase and Sale Agreement and Joint Escrow Instructions, dated as of April 1, 2015, by and among the Seller and Fountains Portfolio Owner, LLC (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 15, 2015 and incorporated herein by reference)
10.7	Third Amendment to Purchase and Sale Agreement and Joint Escrow Instructions, dated as of April 8, 2015, by and among the Seller and Fountains Portfolio Owner, LLC (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed on April 15, 2015 and incorporated herein by reference)
10.8	Fourth Amendment to Purchase and Sale Agreement and Joint Escrow Instructions, dated as of April 9, 2015, by and among the Seller and Fountains Portfolio Owner, LLC (filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed on April 15, 2015 and incorporated herein by reference)
10.9	Limited Liability Company Agreement of Watermark Fountains Owner, LLC (filed as Exhibit 10.6 to the Company's Current Report on Form 8-K filed on April 15, 2015 and incorporated herein by reference)
10.10*	Amended and Restated Independent Directors Compensation Plan
31.1*	Certification by the Chief Executive Officer pursuant to 17 CFR 240.13a-14(a)/15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification by the Chief Financial Officer pursuant to 17 CFR 240.13a-14(a)/15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification by the Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification by the Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	The following materials from the NorthStar Healthcare Income, Inc. Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of March 31, 2015 (unaudited) and December 31, 2014; (ii) Consolidated Statements of Operations (unaudited) for the three months ended March 31, 2015 and 2014; (iii) Consolidated Statements of Comprehensive Income (Loss) (unaudited) for the three months ended March 31, 2015 and 2014; (iv) Consolidated Statements of Equity for the three months ended March 31, 2015 (unaudited) and the year ended December 31, 2014; (v) Consolidated Statements of Cash Flows (unaudited) for the three months ended March 31, 2015 and 2014; and (vi) Notes to Consolidated Financial Statements.

* Filed herewith

SIGNATURES

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

NorthStar Healthcare Income, Inc.

Date: May 14, 2015

By: /s/ RONALD J. JEANNEAULT

Name: Ronald J. Jeanneault

Title: *Chief Executive Officer and President*

By: /s/ DEBRA A. HESS

Name: *Debra A. Hess*

Title: *Chief Financial Officer and Treasurer*

Exhibit 10.1

NORTHSTAR HEALTHCARE INCOME, INC.

FOURTH AMENDED AND RESTATED DISTRIBUTION SUPPORT AGREEMENT

FOURTH AMENDED AND RESTATED DISTRIBUTION SUPPORT AGREEMENT (the "Agreement") dated February 6, 2015, by and between NorthStar Realty Finance Corp. ("NRFC") and NorthStar Healthcare Income, Inc. (the "Company").

WHEREAS, the Company has completed its initial public sale (the "Initial Offering") a maximum of $1,100,000,000 in shares of its common stock, $0.01 par value per share (the "Shares"), of which amount: (a) up to $1,000,000,000 in Shares are being offered to the public pursuant to the Company's primary offering; and (b) up to $100,000,000 in Shares are being offered to stockholders of the Company (the "Stockholders") pursuant to the Company's distribution reinvestment plan;

WHEREAS, the Company has registered for a follow-on public sale (the "Follow-On Offering," and together with the Initial Offering, the "Offering") a maximum of $700,000,000 in shares of its common stock, $0.01 par value per share (the "Shares"), of which amount: (a) up to $500,000,000 in Shares are being offered to the public pursuant to the Company's primary offering; and (b) up to $200,000,000 in Shares are being offered to stockholders of the Company (the "Stockholders") pursuant to the Company's distribution reinvestment plan;

WHEREAS, the net proceeds of the Offering will be invested in a diversified portfolio of assets in the healthcare property sector, including a combination of equity and debt investments;

WHEREAS, to ensure that the Company had a sufficient amount of funds to pay cash distributions to Stockholders during the Initial Offering, the Company and NRFC entered into a Distribution Support Agreement dated July 24, 2012 (the "Original Agreement"), pursuant to which NRFC agreed to purchase up to an aggregate of $10,000,000 in Shares in accordance with the terms set forth therein;

WHEREAS, the Company and NRFC entered into an Amended and Restated Distribution Support Agreement dated July 31, 2012 (the "First Amended and Restated Agreement"), which amended and restated the Original Agreement;

WHEREAS, the Company and NRFC entered into a Second Amended and Restated Distribution Support Agreement dated February 4, 2013 (the "Second Amended and Restated Agreement"), which amended and restated the First Amended and Restated Agreement;

WHEREAS, the Company and NRFC entered into a Third Amended and Restated Distribution Support Agreement dated April 10, 2014 (the "Third Amended and Restated Agreement"), which amended and restated the Second Amended and Restated Agreement; and

WHEREAS, the Company and NRFC desire to enter into this Agreement, which amends and restates the Third Amended and Restated Agreement to extend the term of the Third Amended and Restated Agreement to ensure that the Company has a sufficient amount of funds to pay cash distributions to Stockholders during the Follow-On Offering.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Definitions. The following terms, when used herein, shall have the following meanings:

"Affiliate" means with respect to any Person: (i) any Person directly or indirectly controlling, controlled by, or under common control with such other Person; (ii) any Person directly or indirectly owning, controlling, or holding with the power to vote 10% or more of the outstanding voting securities of such other Person; (iii) any legal entity for which such Person acts as an executive officer, director, trustee, or general partner; (iv) any Person 10% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held, with power to vote, by such other Person; and (v) any executive officer, director, trustee, or general partner of such other Person.

"Agreement" has the meaning set forth in the recitals.

"Business Day" means any day other a Saturday, a Sunday or a day on which banks are required or permitted to close in New York, New York.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto. Reference to any provision of the Code shall mean such provision as in effect from time to time, as the same may be amended, and any successor provision thereto, as interpreted by any applicable regulations as in effect from time to time.

"Company" has the meaning set forth in the recitals.

"Distribution Shortfall" means, with respect to any calendar quarter during the Term, the amount by which Quarterly Distributions exceed MFFO for such quarter or, in the event MFFO is negative, the amount of the Quarterly Distributions for such quarter.

"Follow-On Offering" has the meaning set forth in the recitals.

"Initial Offering" has the meaning set forth in the recitals.

"Invested Capital" means the amount calculated by multiplying the total number of Shares purchased by Stockholders by the Issue Price, reduced by: (i) any amounts paid by the Company to repurchase Shares pursuant to the Company's plan for redemption of Shares; and (ii) the aggregate amount of net sale proceeds distributed to Stockholders as a result of the sale of one or more of the Company's investments.

"Issue Date" has the meaning set forth in Section 3(b) hereof.

"Issue Price" means the gross price per Share the original purchasers of Shares paid to the Company for the Shares (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to the Shares).

"MFFO" means the Company's modified funds from operations as disclosed in the Company's Periodic Report filed with respect to the applicable period.

"NRFC" has the meaning set forth in the recitals.

"NSAM" means NorthStar Asset Management Group Inc.

"NorthStar Healthcare Income Advisor" means NSAM J-NSHC Ltd.

"Offering" has the meaning set forth in the recitals.

"Periodic Report" means the Company's quarterly report on Form 10-Q or annual report on Form 10-K, as applicable.

"Person" means an individual, corporation, partnership, estate, trust (including a trust qualified under Section 401(a) or 501(c) (17) of the Internal Revenue Code), a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity, or any government or any agency or political subdivision thereof, and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended.

"Prospectus" means the prospectus for the Offering, as amended or supplemented, filed with the SEC at or after the effective date of the Company's registration statement on Form S-11 (including financial statements, exhibits and all other documents related thereto filed as a part thereof or incorporated therein), pursuant to the Securities Act of 1933, as amended, and the applicable rules and regulations of the SEC promulgated thereunder.

"Purchase Price" means, as of any given date, the per share price payable in the Offering, net of the per share selling commissions and dealer manager fees specified in the Prospectus.

"Quarterly Distributions" means the aggregate amount of cash distributions paid to Stockholders during a calendar quarter.

"SEC" means the United States Securities and Exchange Commission.

"Shares" has the meaning set forth in the recitals.

"Stockholders" has the meaning set forth in the recitals.

"Stockholders' 6.75% Return" means, as of any date, an aggregate amount equal to a 6.75% cumulative, non-compounded, annual return on Invested Capital (calculated like simple interest on a daily basis based on a 365 day year). For purposes of calculating the Stockholders' 6.75% Return, Invested Capital shall be determined for each day during the period for which the Stockholders' 6.75% Return is being calculated.

"Threshold Amount" means an amount equal to the Stockholders' 6.75% Return, prorated for such quarter.

"Term" has the meaning set forth in Section 4 hereof.

2. Share Purchase Commitment. In the event of a Distribution Shortfall for any calendar quarter during the Term, NRFC shall purchase Shares from the Company in an amount equal to the Distribution Shortfall; *provided, however*, that NRFC shall not be obligated to purchase Shares for any quarter in which MFFO for such quarter exceeds the Threshold Amount and *further provided*, that NRFC's obligation to purchase Shares pursuant to this Agreement shall be limited to an aggregate of $10,000,000 in purchase amount (including any contributions made by NRFC and its subsidiaries to the Company to satisfy the minimum Initial Offering amount of $2,000,000). Any Shares purchased by NRFC pursuant to this Section

2 shall be purchased pursuant to the Follow-On Offering and at the Purchase Price in effect as of the date of purchase of the Shares. As of the date of this Agreement, NRFC's remaining commitment to purchase Shares under this Agreement, after taking into account NRFC's initial $2,000,007 purchase of Shares to satisfy the minimum Offering amount and NRFC's subsequent purchase of 81,025 Shares for an aggregate purchase price of $729,225 for prior Distribution Shortfalls, is limited to $7,270,768.

3. Procedure for Purchase of Shares.

(a) In the event of a Distribution Shortfall, the Company shall deliver to NRFC a written notice within ten (10) Business Days following the Company's filing with the SEC of its Periodic Report for such calendar quarter specifying the number of Shares to be purchased by NRFC pursuant to Section 2 above and the Company's calculation of the Distribution Shortfall.

(b) On the fifth Business Day following the delivery of such notice (the "Issue Date"), the Company shall issue to NRFC the Shares being sold against NRFC's delivery of an executed subscription for the Offering and payment of the purchase price for such Shares by wire transfer of immediately available funds.

4. Term. This Agreement shall be in effect until the earlier of (a) the second anniversary of the commencement of the Follow-On Offering or (b) the date upon which neither NorthStar Healthcare Income Advisor nor another Affiliate of NSAM is serving as the Company's Advisor (as such term is defined in the Company's Articles of Incorporation, as amended from time to time) with responsibility for the Company's day-to-day operations (the "Term").

5. Notices. All notices shall be in writing and shall be given or made, by delivery in person or by guaranteed delivery overnight courier to NRFC at the address set forth below:

NorthStar Realty Finance Corp.
399 Park Avenue, 18th Floor
New York, NY 10022
Attention: Daniel R. Gilbert, Chief Investment and Operations Officer

or to such other address as NRFC may designate to the Company in writing. Notices shall be effective upon receipt in the case of personal delivery or one Business Day after being sent in the case of delivery by overnight courier.

6. Voting Agreement. NRFC agrees, and shall cause any of its Affiliates to whom it may transfer Shares to agree on behalf of itself and to require any subsequent transferees that are Affiliates to agree that, with respect to any Shares purchased pursuant to this Agreement or otherwise acquired, it will not vote or consent on matters submitted to the Stockholders regarding any transaction between the Company and any Affiliate of NRFC, including without limitation, the removal of NorthStar Healthcare Income Advisor or any of its Affiliates as the Company's Advisor (as such term is defined in the Company's Articles of Incorporation, as amended from time to time). This voting restriction shall survive until such time that NorthStar Healthcare Income Advisor or any of its Affiliates is no longer serving as the Company's Advisor.

7. Assignment; Third Party Beneficiaries. This Agreement may not be assigned by either party; *provided, however*, that NRFC may assign its obligations under this Agreement to any one or more of its Affiliates, but no such assignments shall relieve NRFC of its obligations hereunder. This Agreement shall

inure to the benefit of and shall be binding upon the heirs, executors, administrators, legal representatives, successors and assigns of the parties hereto.

8. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of New York without reference to conflict of laws provisions.

9. Amendment. No amendment, modification or waiver of this Agreement will be valid unless made in writing and duly executed by each party hereto.

10. Entire Agreement. This agreement constitutes the entire understanding between the parties with respect to the subject matter hereof. This agreement may be executed in one or more counterparts.

[The remainder of this page is intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.

NorthStar Healthcare Income, Inc.

By: /s/ Daniel R. Gilbert
Name: Daniel R. Gilbert
Title: Executive Chairman

NorthStar Realty Finance Corp.

By: /s/ Ronald J. Lieberman
Name: Ronald J. Lieberman
Title: Executive Vice President, General Counsel and Secretary

Exhibit 10.10

NORTHSTAR HEALTHCARE INCOME, INC.

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.

"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. 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 Board 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 hereof for service as the chair of the Audit Committee 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 Board. Subject to the provisions of the Plan, the Board 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 Board's interpretation of the Plan, and all actions taken and determinations made by the Board 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 Board 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 Board.

3.2. RELIANCE. In administering the Plan, the Board 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 Board 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 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 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 Board. Until changed by the Board, the Base Annual Retainer for a full Plan Year shall be $85,000. 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 CHAIRPERSON SUPPLEMENTAL ANNUAL RETAINER. The chairperson of the Audit Committee of the Board shall be paid a Supplemental Annual Retainer for his or her service as such chairperson 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 chairperson in accordance with Section 6.1. The amount of the Supplemental Annual Retainer for the chairperson of the Audit Committee shall be established from time to time by the Board. Until changed by the Board, the Supplemental Annual Retainer for a full Plan Year for the chairperson of the Audit Committee shall be $15,000. A pro rata Supplemental Annual Retainer will be paid to any Eligible Participant who becomes the chairperson 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 chairperson 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. 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 5.3 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 5.3 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 Board or the plan administrator shall prescribe (the "Election Form") to the Board 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 Board 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 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 (the "Initial Stock Grant") in an amount established from time to time by the Board. Until changed by the Board, the Initial Stock Grant shall be $65,000 in shares of Restricted Stock, with the number of shares of Stock determined by dividing the amount of the Initial Stock Grant by the Share Value as of the grant date. Such shares of Restricted Stock 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 granted to such Independent Director under Section 7.2.

7.2. SUBSEQUENT RESTRICTED STOCK 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 (the "Subsequent Stock Grant") in an amount established from time to time by the Board. Until changed by the Board, the Subsequent Stock Grant shall be $40,000 in shares of Restricted Stock, with the number of shares of Stock determined by dividing the amount of the Subsequent Stock Grant by the Share Value as of the grant date. Such shares of Restricted Stock shall be subject to the terms and restrictions described below in Section 7.3. Notwithstanding anything herein to the contrary, no Restricted Stock 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 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 shall be subject to the approval of the Board 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 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. Shares of Restricted Stock shall be evidenced by a written Award Certificate, and shall be subject to such restrictions and risk of forfeiture as determined by the Board, and shall be granted under and pursuant to the terms of the Incentive Plan. Unless and until provided otherwise by the Board, the Restricted Stock 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 grant date. Notwithstanding the foregoing vesting schedule, the shares of Restricted Stock 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 shares of Restricted Stock as of the date of such termination from the Board and such Restricted Stock shall be reconveyed to the Company without further consideration or any act or action by the Independent Director.

ARTICLE 8
AMENDMENT, MODIFICATION AND TERMINATION

8.1. AMENDMENT, MODIFICATION AND TERMINATION. The Board 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 Board, 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 Board 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 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 Board.

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, and on March 3, 2015, effective as of January 1, 2015.

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The foregoing is hereby acknowledged as being the NorthStar Healthcare Income, Inc. Independent Directors Compensation Plan as adopted by the Board.

NORTHSTAR HEALTHCARE INCOME, INC.

By: /s/ Ronald J. Lieberman

Name: Ronald J. Lieberman

Title: Executive Vice President, General Counsel and Secretary

Exhibit 31.1

**CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER PURSUANT TO
17 CFR 240.13a-14(a)/15(d)-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ronald J. Jeanneault, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NorthStar Healthcare Income, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ RONALD J. JEANNEAULT

Name: Ronald J. Jeanneault
Title: *Chief Executive Officer and President*
Date: May 14, 2015

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, Debra A. Hess, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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/ DEBRA A. HESS

Name: Debra A. Hess

Title: *Chief Financial Officer and Treasurer*

Date: May 14, 2015

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 Quarterly Report on Form 10-Q of NorthStar Healthcare Income, Inc. (the "Company") for the quarterly period ended March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Ronald J. Jeanneault, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ RONALD J. JEANNEAULT

Ronald J. Jeanneault

Chief Executive Officer and President

Date: May 14, 2015

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 Quarterly Report on Form 10-Q of NorthStar Healthcare Income, Inc. (the "Company") for the quarterly period ended March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Debra A. Hess, 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 her 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/ DEBRA A. HESS

Debra A. Hess

Chief Financial Officer and Treasurer

Date: May 14, 2015

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.