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

(Mark One)
☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2022

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to __________

Commission file number: 001-39153

HTI
HEALTHCARE TRUST INC

Healthcare Trust, Inc.

(Exact name of registrant as specified in its charter)

Maryland	**38-3888962**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
650 Fifth Ave., 30th Floor, New York, NY	**10019**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(212) 415-6500**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
7.375% Series A Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value per share	HTIA	The Nasdaq Global Market
7.125% Series B Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value per share	HTIB	The Nasdaq Global Market

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

Common stock, $0.01 par value per share
(Title of class)

Common Share Purchase Rights

(Title of class)

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

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

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

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

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

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

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

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

There is no established public market for the registrant's shares of common stock.

As of March 14, 2023, the registrant had 106,566,638 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be delivered to stockholders in connection with the registrant's 2023 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K. The registrant intends to file its proxy statement within 120 days after its fiscal year end.

HEALTHCARE TRUST, INC.

FORM 10-K
Year Ended December 31, 2022

Forward-Looking Statements

Certain statements included in this Annual Report on Form 10-K are forward-looking statements. Those statements include statements regarding the intent, belief or current expectations of Healthcare Trust, Inc. ("we," "our" or "us") and members of our management team, as well as the assumptions on which such statements are based, and generally are identified by the use of words such as "may," "will," "seeks," "anticipates," "believes," "estimates," "expects," "plans," "intends," "should" or similar expressions. Actual results may differ materially from those contemplated by such forward-looking statements. Further, forward-looking statements speak only as of the date they are made, and we undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time, unless required to do so by law.

These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of our control, which could cause actual results to differ materially from the results contemplated by the forward-looking statements. Some of the risks and uncertainties, although not all risks and uncertainties, that could cause our actual results to differ materially from those presented in our forward-looking statements are set forth in "Risk Factors" (Part I, Item 1A of this Annual Report on Form 10-K), "Quantitative and Qualitative Disclosures about Market Risk" (Part II, Item 7A of this Annual Report on Form 10-K), and "Management's Discussion and Analysis of Financial Condition and Results of Operations" (Part II, Item 7 of this Annual Report on Form 10-K).

PART I

Item 1. Business

We are an externally managed real estate investment trust for U.S. federal income tax purposes ("REIT") that focuses on acquiring and managing a diversified portfolio of healthcare-related real estate, focused on medical office and other healthcare-related buildings ("MOBs"), and senior housing operating properties ("SHOPs"). As described in further detail herein, we operate in two reportable business segments for management and internal financial reporting purposes: MOBs and SHOPs.

As of December 31, 2022, we owned 202 properties located in 34 states and comprised of 9.1 million rentable square feet. The following table summarizes our portfolio of properties as of December 31, 2022:

Asset Type	Number of Properties		Rentable Square Feet	Gross Asset Value [(1)]
				(In thousands)
Medical Office and Other Healthcare-Related Buildings	150		5,090,957	$ 1,423,804
Seniors Housing — Operating Properties [(2)]	52	[(3)]	4,030,413	1,140,608
Total Portfolio	**202**		**9,121,370**	**$ 2,564,412**

(1) Gross asset value represents total real estate investments, at cost ($2.6 billion total at December 31, 2022), net of gross market lease intangible liabilities ($23.5 million total at December 31, 2022). Impairment charges are already reflected within gross asset value.

(2) As of December 31, 2022, we had 4,374 rentable units in our SHOP segment.

(3) Includes two land parcels.

In constructing our portfolio, we are committed to diversifying our assets by geographic region. The following table details the geographic distribution, by region, of our portfolio as of December 31, 2022:

Geographic Region	Number of Properties	Annualized Rental Income [(1)]	Rentable Square Feet	Rentable Units in SHOP Segment
		(In thousands)		
Northeast	25	$ 35,412	1,624,153	289
South	70	125,111	3,211,198	1,849
Midwest	76	106,233	2,799,910	1,642
West	31	46,862	1,486,109	594
Total Portfolio	202	$ 313,618	9,121,370	4,374

(1) Annualized rental income on a straight-line basis for the leases in place in the property portfolio as of December 31, 2022, which includes tenant concessions such as free rent, as applicable, as well as annualized gross revenue from our SHOPs (as defined below) for the fourth quarter of 2022.

Investment Strategy

Our investment strategy is guided by three core principles: (1) maintaining a balanced, well-diversified portfolio of high-quality assets; (2) pursuing accretive and opportunistic investment opportunities; and (3) maintaining a strong and flexible capital structure.

We have invested, and expect to continue investing, primarily in MOBs and seniors housing properties, primarily structured as SHOPs. In addition, we may invest in facilities leased to hospitals, including rehabilitation hospitals, long-term acute care centers, surgery centers, inpatient rehabilitation facilities, special medical and diagnostic service providers, laboratories, research firms, pharmaceutical and medical supply manufacturers and health insurance firms. Our SHOP investments are held through a structure permitted under the REIT Investment Diversification and Empowerment Act of 2007 ("RIDEA"). We generally acquire a fee interest in any property we acquire (a "fee interest" is the absolute, legal possession and ownership of land, property, or rights), although we may also acquire a leasehold interest (a "leasehold interest" is a right to enjoy the exclusive possession and use of an asset or property for a stated definite period as created by a written lease). We have and may continue to acquire properties through a joint venture or the acquisition of substantially all of the interests of an entity which in turn owns the real property. We also may make preferred equity investments in an entity.

Healthcare is the single largest industry in the United States based on contribution to Gross Domestic Product ("GDP"). According to the National Health Expenditures Projections, 2021 - 2030 report prepared by the Centers for Medicare and Medicaid Services ("CMS"): (i) national health expenditures are projected to grow on average 5.1% per year for 2021 through 2030 and at an average annual growth rate of 5.3% per year from 2025 through 2030 and (ii) the healthcare industry projected share of GDP is projected to decrease slightly from 19.7% of U.S. GDP in 2020 to 19.6% by 2030. The increase in expenditures is projected to lead to significant growth in healthcare employment. According to the U.S. Department of Labor's Bureau of Labor Statistics (the "Bureau of Labor Statistics"), the healthcare industry was one of the largest industries in the United States, providing approximately 21 million seasonally adjusted jobs as of December 31, 2021. According to the Bureau of Labor Statistics, employment of healthcare occupations (healthcare practitioners and technical occupations and healthcare support) is projected to grow 13% from 2021 to 2031, adding approximately 2 million new jobs. This growth is expected due to an aging population and the projected increase in the number of individuals who will have access to health insurance. We believe that the continued growth in employment in the healthcare industry will lead to growth in demand for MOBs and other facilities that serve the healthcare industry. Since the beginning of the COVID-19 pandemic, the senior housing industry has been experiencing ongoing staffing shortages; however, the Bureau of Labor Statistics reported employment increases for nursing and assisted living facilities in 2022.

In addition to the growth in national health expenditures and corresponding increases in employment in the healthcare sector, the nature of healthcare delivery continues to evolve due to the COVID-19 pandemic, impact of government programs, regulatory changes and consumer preferences. We believe these changes have increased the need for capital among healthcare providers and increased incentives for these providers to develop more efficient real estate solutions in order to enhance the delivery of quality healthcare.

We believe that the aging population, improved chronic disease management, technological advances and healthcare reform will positively affect the demand for MOBs, seniors housing properties and other healthcare-related facilities and generate attractive investment opportunities. The first wave of Baby Boomers, the largest segment of the U.S. population, began turning 65 in 2011. According to the U.S. Census Bureau, the U.S. population over 65 will grow to 94.7 million in 2060, up from 49.2 million in 2016. This group will grow more rapidly than the overall population. Thus, its share of the population will increase to 23% in 2060, from 15% in 2016. Patients with diseases that were once life threatening are now being treated with specialized medical care and an arsenal of new pharmaceuticals. Advances in research, diagnostics, surgical procedures, pharmaceuticals and a focus on healthier lifestyles have led to people living longer. Finally, we believe that healthcare reform in the U.S. will continue to drive an increase in demand for medical services, and in particular, in the post-acute and long-term services which our tenants and operators provide. We may invest in healthcare assets through development and joint venture partnerships.

As of December 31, 2022, 2021 and 2020, none of our tenants (together with their affiliates) had annualized rental income on a straight-line basis representing 10% or greater of total annualized rental income on a straight-line basis for the portfolio.

The following table lists the states where we had concentrations of properties where annualized rental income on a straight-line basis represented 10% or more of consolidated annualized rental income on a straight-line basis for all properties as of December 31, 2022, 2021 and 2020:

	December 31,		
State	2022	2021	2020
Florida [1]	19.2%	17.7%	20.6%
Pennsylvania	*	*	10.4%

* State's annualized rental income on a straight-line basis was not greater than 10% of total annualized rental income on a straight-line basis for all portfolio properties as of the period specified.

(1) In May 2021, the Company's skilled nursing facility in Wellington, Florida, and the Company's development property in Jupiter, Florida were sold. In December 2020, the Company's skilled nursing facility in Lutz, Florida was sold.

Medical Office and Other Healthcare-Related Buildings

As of December 31, 2022, we owned 150 MOBs and other health care related buildings under lease totaling 5.1 million square feet. These properties are leased to tenants that provide healthcare services that typically consist of:

- physicians' offices and examination rooms,
- pharmacies,
- hospital ancillary service space and outpatient services such as diagnostic imaging centers, rehabilitation clinics and ambulatory surgery centers,
- hospitals,
- post-acute care facilities,
- skilled nursing facilities ("SNFs") and;

- other facilities.

Certain of our properties can be located on or near hospital campuses and require significant plumbing, electrical and mechanical systems to accommodate diagnostic imaging equipment such as x-rays or other imaging equipment, and may also have significant plumbing to accommodate physician exam rooms. In addition, MOBs are often built to accommodate higher structural loads for certain equipment and may contain specialized construction such as cancer radiation therapy vaults for cancer treatment.

Hospitals can include general acute care hospitals, inpatient rehabilitation hospitals, long-term acute care hospitals and surgical and specialty hospitals. These facilities provide inpatient diagnosis and treatment, both medical and surgical, and provide a broad array of inpatient and outpatient services including surgery, rehabilitation therapy as well as diagnostic and treatment services. Post-acute facilities offer restorative, rehabilitative and custodial care for people not requiring the more extensive and complex treatment available at acute care hospitals. We include these types of assets in our MOB and other health care related segment when the property is leased to a tenant that operates the property.

There are a variety of types of MOBs: on campus, off campus, affiliated and non-affiliated. On campus MOBs are physically located on a hospital's campus, often on land leased from the hospital. A hospital typically creates strong tenant demand which leads to high tenant retention. Off campus properties are located independent of a hospital's location. Affiliated MOBs may be located on campus or off campus, but are affiliated with a hospital or health system. In some respects, affiliated MOBs are similar to on campus MOBs because the hospital relationship drives tenant demand and retention. Finally, non-affiliated MOBs are not affiliated with any hospital or health system, but may contain physician offices and other healthcare services. We favor affiliated MOBs versus non-affiliated MOBs because of the relationship and synergy with the sponsoring hospital or health system and buildings not affiliated with the hospital or health system but anchored or entirely occupied by a long-tenured physician practice.

The following table reflects the on campus, off campus, affiliated and non-affiliated MOB composition of our portfolio as of December 31, 2022:

MOB Classification	**Number of Properties**	**Rentable Square Feet**
On Campus	19	1,111,254
Off Campus	131	3,979,703
Total	150	5,090,957
Affiliated	72	2,920,284
Non-affiliated	78	2,170,673
Total	150	5,090,957

Seniors Housing Properties

As of December 31, 2022, we owned 52 seniors housing properties under the RIDEA structure in our SHOP segment. Under RIDEA, a REIT may lease qualified healthcare properties on an arm's length basis to a taxable REIT subsidiary ("TRS") if the property is operated on behalf of such subsidiary by an independent qualifying management company, which we also refer to as an operator who qualifies as an eligible independent contractor. Our seniors housing properties as of December 31, 2022 primarily consist of assisted living facilities (2,352 units), memory care facilities (1,109 units) and independent living facilities (882 units). These facilities cater to different segments of the elderly population based upon their personal needs and need for assistance with the activities of daily living. Services provided by our operators or tenants in these facilities are primarily paid for by the residents directly and are less reliant on government reimbursement programs such as Medicaid and Medicare.

Assisted living facilities are licensed care facilities that provide personal care services, support and housing for those who need help with activities of daily living, such as bathing, eating and dressing, yet require limited medical care. The programs and services may include transportation, social activities, exercise and fitness programs, beauty or barber shop access, hobby and craft activities, community excursions, meals in a dining room setting and other activities sought by residents. Assisted living facilities are often in apartment-like buildings with private residences ranging from single rooms to large apartments.

Certain assisted living facilities may offer a separate facility that provides a higher level of care for residents requiring memory care as a result of Alzheimer's disease or other forms of dementia. Levels of personal assistance are based in part on local regulations.

Independent living facilities are designed to meet the needs of seniors who choose to live in an environment surrounded by their peers with services such as housekeeping, meals and activities. These residents generally do not need assistance with activities of daily living, however, in some of our facilities, residents have the option to contract for these services. However, independent living facilities on their own are not treated as qualified health care properties eligible to be leased to a TRS.

Ancillary revenues and revenues from sub-acute care services are derived from providing services beyond room and board and include occupational, physical, speech, respiratory and intravenous therapy, wound care, oncology treatment, brain injury care and orthopedic therapy, as well as sales of pharmaceutical products and other services. Certain facilities provide some of the foregoing services on an outpatient basis. During the years ended December 31, 2021 and 2020, we took efforts to divest from SNFs through our property dispositions, and we have also converted many SNF units to memory care units in our existing properties, which have significantly reduced our SNF operations. As of December 31, 2022 our seniors housing properties included 31 SNF units.

Impact of COVID-19 Pandemic

During the first quarter of 2020, the global COVID-19 pandemic that has spread around the world and to every state in the U.S. commenced. The COVID-19 pandemic has had, and could continue to have, an adverse impact on economic conditions, including a global economic slowdown and recession that may continue for some time. The rapid development and fluidity of the situation precludes any prediction as to the ultimate adverse impact of COVID-19 on economic and market conditions. The COVID-19 pandemic had, and another pandemic in the future could have, impacts across many sectors and areas of the global economy and financial markets, leading to significant adverse impacts on economic activity including volatility in financial markets. Our MOB tenants and SHOP properties operate businesses that require in-person interactions with their patients and residents, and concern regarding the transmission of COVID-19 impacted the willingness of persons to, among other things, live in or use facilities at our properties, and impacted the revenues generated by our tenants.

Our ability to lease space and negotiate and maintain favorable rents and the results of operations at our SHOPs could also continue to be negatively impacted by a prolonged recession in the U.S. economy. Moreover, the demand for leasing space at our MOB properties could decline, which could negatively impact occupancy percentage, revenue and net income. Additionally, downturns or stagnation of the U.S. housing market as a result of an economic downturn could adversely affect the ability, or perceived ability, of seniors to afford the resident fees and services at our SHOPs. Further, recent and continuing increases in inflation brought about by labor shortages, supply chain disruptions and increases in interest rates have adversely impacted, and may continue to impact, our results of operations. Moreover, these increases in the rate of inflation, the ongoing war in Ukraine and related sanctions, supply chain disruptions and increases in interest rates may also impact the ability of our tenants and residents to pay rent and hence our results of operations and liquidity. For more information about the risks and uncertainties associated with inflation, the ongoing war in Ukraine and related sanctions and labor shortages, please see the sections “Inflation” and “Part II—Item 1A. Risk Factors” below.

Beginning in March 2020, the COVID-19 pandemic and measures to prevent its spread began to affect us in a number of ways that vary by operating segment:

COVID-19 Impact — MOB Segment

The financial stability and overall health of our tenants is critical to our business. We took a proactive approach to achieve mutually agreeable solutions with our tenants and in some cases, during the year ended December 31, 2020, we executed lease amendments providing for deferral of rent. Since the year ended December 31, 2020, we have not entered into any rent deferral agreements with any of our tenants in this segment, and all amounts previously deferred under prior rent deferral agreements have been collected.

COVID-19 Impact — SHOP Segment

In our SHOP segment, occupancy trended downward from March 2020 until June 2021 and has since stabilized and begun to recover. We also experienced lower inquiry volumes and reduced in-person tours since the onset of the COVID-19 pandemic. In addition, starting in March 2020, operating costs began to rise materially, including for services, labor, personal protective equipment and other supplies, as our operators took appropriate actions to protect residents and caregivers. We generally bear these cost increases at our SHOPs, which were partially offset by funds received under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), and to a lesser extent, cost recoveries for personal protective equipment from residents. These cost increases became more prominent throughout the year ended December 31, 2022 from a combination of factors: (i) we were impacted by rising inflation which generally increased the costs of services and supplies, (ii) we relied more on the use of temporary contract labor and agencies due to a shortage of qualified personnel and (iii) the amounts we paid to third party providers for wages, including overtime wages, and bonuses increased. Future developments in the course of the pandemic, increases to inflation, labor shortages and supply chain disruptions may cause further adverse impacts to our occupancy and cost levels, and these trends may continue to impact us and have material adverse effects on our revenues and net income in future quarters. While the continued development of COVID-19 vaccines may limit those effects, the effectiveness of vaccines and the willingness to receive vaccines are highly uncertain and cannot be predicted with confidence.

The financial impact of the COVID-19 pandemic on us has been partially offset by funds received under the CARES Act. We received \$4.5 million, \$5.1 million and \$3.6 million in these funds during the years ended December 31, 2022, 2021 and 2020, respectively. For accounting purposes, we consider these funds as grant contributions from the government. The full amounts received were recognized as a reduction of property operating expenses in our consolidated statement of operations for the years ended December 31, 2022, 2021 and 2020, respectively, to offset incurred COVID-19 expenses. We do not anticipate that any further funds under the CARES Act will be received, and there can be no assurance that the CARES Act program will be extended or any further amounts received under currently effective or potential future government programs.

Organizational Structure

Substantially all of our business is conducted through Healthcare Trust Operating Partnership, L.P. (the "OP"), a Delaware limited partnership, and its wholly owned subsidiaries. Our Advisor manages our day-to-day business with the assistance of our property manager, Healthcare Trust Properties, LLC (the "Property Manager"). Our Advisor and Property Manager are under common control with AR Global Investments, LLC ("AR Global") and these related parties receive compensation and fees for providing services to us. We also reimburse these entities for certain expenses they incur in providing these services to us. Healthcare Trust Special Limited Partnership, LLC (the "Special Limited Partner"), which is also under common control with AR Global, has an interest in us through ownership of interests in our OP.

We own our SHOPs through the RIDEA structure, pursuant to which, a REIT may lease "qualified healthcare properties" on an arm's length basis to a TRS if the property is operated on behalf of such subsidiary by a person who qualifies as an "eligible independent contractor." We view this as a structure primarily to be used on properties that present attractive valuation entry points with long term growth prospects or drive growth by: (i) transitioning the asset to a new third-party operator that can bring scale, operating efficiencies, or ancillary services; or (ii) investing capital to reposition the asset.

Financing Strategies and Policies

We utilize a combination of debt and equity to fund our investment activity. Our debt and equity levels are determined by management in consultation with the Board. For short-term purposes, we may borrow from our revolving credit facility (our "Revolving Credit Facility") and our Fannie Mae Master Credit Facilities, which include a secured credit facility with KeyBank National Association (the "KeyBank Facility") and a secured credit facility with Capital One Multifamily Finance, LLC, an affiliate of Capital One, National Association (the "Capital One Facility"). The KeyBank Facility and Capital One Facility are referred to herein together as the "Fannie Mae Master Credit Facilities". Our senior secured credit facility with KeyBank National Association (our "Credit Facility") consists of two components, our Revolving Credit Facility and our term loan (our "Term Loan"). Our Credit Facility is secured by a pledged pool of the equity interests and related rights in wholly owned subsidiaries that directly own or lease the eligible unencumbered real estate assets comprising the borrowing base thereunder. We may seek and even replace current borrowings with longer-term capital such as senior secured or unsecured notes or other forms of long-term financing. We may invest in properties subject to existing mortgage indebtedness, which we assume as part of the acquisition. In addition, we may obtain financing secured by previously unencumbered properties in which we have invested or may refinance properties acquired on a leveraged basis. In our agreements with our lenders, we are subject to restrictions with respect to secured and unsecured indebtedness, including restrictions on permitted investments, distributions and maintenance of a maximum leverage ratio, a minimum fixed charge coverage ratio, among other things. As of December 31, 2022 we were in compliance with these covenants. As of December 31, 2022, our total debt leverage ratio (net debt divided by gross asset value) was approximately 41.5%. Net debt totaled $1.1 billion, which represents gross debt ($1.1 billion) less cash and cash equivalents ($53.7 million). Gross asset value totaled $2.6 billion, which represents total real estate investments, at cost ($2.6 billion), net of gross market lease intangible liabilities ($23.5 million). Cumulative impairment charges are already reflected within gross asset value.

Tax Status

We elected to be taxed as a REIT under Sections 856 through 860 of Internal Revenue Code of 1986, as amended (the "Code"), commencing with our taxable year ended December 31, 2013. Commencing with that taxable year, we have been organized and operated in a manner so that we qualify as a REIT under the Code. We intend to continue to operate in such a manner, but can provide no assurance be given that we will operate in a manner so as to remain qualified as a REIT. To continue to qualify as a REIT, we must, among other things, distribute at least 90% of our REIT taxable income, which does not equal net income as calculated in accordance with accounting principles generally accepted in the United States ("GAAP"), determined without regard to the deduction for dividends paid and excluding net capital gains, and must comply with a number of other organizational and operational requirements. If we continue to qualify as a REIT, we generally will not be subject to U.S. federal corporate income tax on the portion of our REIT taxable income that we distribute to our stockholders. Even if we continue to qualify for taxation as a REIT, we may be subject to certain state and local taxes on our income and properties as well as U.S. federal income and excise taxes on our undistributed income.

Certain limitations are imposed on REITs with respect to the ownership and operation of seniors housing properties. Generally, to qualify as a REIT, we cannot directly or indirectly operate seniors housing properties. Instead, such facilities may be either leased to a third-party operator or leased to a TRS and operated by a third party on behalf of the TRS. Accordingly, we have formed a TRS that is wholly owned by the OP to lease its SHOPs and the TRS has entered into management contracts with unaffiliated third-party operators to operate the facilities on its behalf. As of December 31, 2022, we owned 52 seniors housing properties, including two land parcels, which we lease to our TRS. The TRS is a wholly-owned subsidiary of the OP.

Competition

The market for MOB and SHOP real estate is highly competitive. We compete in all of our markets based on a number of factors that include location, rental rates, security, suitability of the property's design to prospective tenants' needs and the manner in which the property is operated and marketed. In addition, we compete with other entities engaged in real estate investment activities to locate suitable properties to acquire, tenants to occupy our properties and purchasers to buy our properties. These competitors include other REITs, private investment funds, specialty finance companies, institutional investors, pension funds and their advisors and other entities. There are also other REITs with asset acquisition objectives similar to ours, and others may be organized in the future. Some of these competitors, including larger REITs, have substantially greater marketing and financial resources than we have and generally may be able to accept more risk than we can prudently manage, including risks with respect to the creditworthiness of tenants. In addition, these same entities seek financing through similar channels.

Overview

The healthcare industry is one of the most regulated industries in the United States and is currently experiencing rapid regulatory change and uncertainty. The regulatory uncertainty and the potential impact on our tenants and operators could have an adverse material effect on their ability to satisfy their contractual obligations.

Our tenants and operators must comply with a wide range of complex federal, state, and local laws and regulations, and the healthcare industry, in general, is the subject to increased enforcement and penalties in all areas. Fraud and abuse continues to be an enforcement priority at both the federal and state levels including, but not limited to, the Federal Anti-Kickback Statute, the Federal Physician Self-Referral Statute (commonly known as the "Stark Law"), the False Claims Act ("FCA"), the Civil Monetary Penalties Law ("CMPL"), and a range of other federal and state regulations relating to waste, cost control, and healthcare management. The business and operations of our tenants and operators and therefore our business could be materially impacted by, among other things, a significant expansion of applicable federal, state or local laws and regulations, legislative changes or new judicial challenges to the Patient Protection and Affordable Care Act (the "Affordable Care Act" or "ACA"), future attempts to reform healthcare, new interpretations of existing laws and regulations, and changes or increased emphasis on certain enforcement priorities. Our SHOP segment derives minimal revenues from Medicare and Medicaid so the impact of federal enforcement relating to waste, cost control, and healthcare management is limited; however, facilities may be subject to increased enforcement and scrutiny under state laws. In our SHOP segment, only one property receives payments from Medicare and Medicaid, and a small percentage of our assisted living revenue is derived from Medicaid. For our MOB segment, our tenants and operators could be effected, which could impact our tenants' ability to pay rent.

Our tenants and operators are subject to extensive federal, state, and local laws, regulations and industry standards which govern business operations, physical plant and structure, patient and employee health and safety, access to facilities, patient rights - including privacy, price transparency, fewer restrictions on access to care - and security of health information. Our tenants' and operators' failure to comply with any of these laws could result in loss of licensure, denial of reimbursement, imposition of fines or other penalties, suspension or exclusion from the government sponsored Medicare and Medicaid programs, loss of accreditation or certification, reputational damage and closure of a facility. In addition, both government and private third-party payors will likely continue their efforts to reduce reimbursement. The Medicare and Medicaid programs have adopted a variety of initiatives which have been incorporated and expanded by private insurance carriers, including health maintenance organizations and other health plans, to extract greater discounts and impose more stringent cost controls upon healthcare provider operations. Examples include, but are not limited to, changes in reimbursement rates and methodologies such as bundled payments, capitation payments, and discounted fee structures. Our tenants and operators may also face significant limits on the scope of services reimbursed and on reimbursement rates and fees. All of these changes could impact our tenants' ability to pay rent or other obligations to us.

Licensure, Certification and Certificate of Need

Our tenants operate hospitals, assisted living facilities, a skilled nursing facility and other healthcare entities and providers that receive reimbursement for services from third-party payors, including the government sponsored Medicare and Medicaid programs and private insurance carriers. To participate in the Medicare and Medicaid programs, tenants and operators of healthcare facilities and other healthcare providers must comply with the regulations previously referenced, as well as with licensing, certification and, in some states, certificate of need ("CON") requirements.

In granting and renewing these licenses and certifications, the state regulatory agencies consider numerous factors relating to a facility's operations, including, but not limited to, the plant and physical structure, admission and discharge standards, staffing, training, patient and consumer rights, medication guidelines and other rules. In the SHOP segment if a tenant and/or operator fails to maintain or renew any required license, certification or other regulatory approval, or to correct serious deficiencies identified in compliance surveys, the tenant and/or operator could be prohibited from continuing operations at a facility.

A loss of licensure or certification, as well as a change in participation status, could also adversely affect a tenant or operator's ability to receive payments from the Medicare and Medicaid programs, which, in turn, could adversely affect the tenant or operator's ability to satisfy its contractual obligations, including making rental payments under, and otherwise complying with the terms of, its leases with us. In addition, if we have to replace an operator, we may experience difficulties in finding a replacement because our ability to replace the operator may be affected by federal and state laws governing changes in control and ownership.

Licensing and certification requirements also subject our tenants, and potentially operators, to compliance surveys and audits which are critical to the ongoing operations of the facilities. Our healthcare facilities must meet licensing and Medicare or Medicaid certification requirement, to the extend applicable relating to the type of facility and its equipment, personnel and standard of medical care, as well as comply with other federal, state and local laws and regulations. Healthcare facilities undergo periodic on-site licensure surveys, which generally are limited if the facility is accredited by The Joint Commission or other recognized accreditation organizations. A loss of licensure or certification could adversely affect a facility's ability to receive payments from the Medicare and Medicaid programs, which, in turn, could adversely affect its ability to satisfy its contractual obligations, including making rental payments under, and otherwise complying with, the terms of the tenant's leases or the operator's contractual obligation with us.

In some states, healthcare facilities are subject to various state CON laws requiring governmental approval prior to the development or expansion of healthcare facilities and services. The approval process in these states generally requires a facility to demonstrate the need for additional or expanded healthcare facilities or services. CONs, where applicable, can also be conditions to regulatory approval of changes in ownership or control of licensed facilities, addition of beds, investment in major capital equipment, introduction of new services, termination of services previously approved through the CON process and other control or operational changes.

CON laws and regulations may restrict a tenant and operator's ability to expand properties and grow the tenant and operator's business in certain circumstances, which could have an adverse effect on the tenant's or operator's revenues and, in turn, negatively impact their ability to make rental payments under, and otherwise comply with the terms of their leases with us.

Fraud and Abuse Enforcement

Various federal and state laws and regulations are aimed at actions that may constitute fraud and abuse by healthcare entities and providers who participate in, submit or cause to be submitted claims for payment to, or make or receive referrals in connection with government-funded healthcare programs, including Medicare and Medicaid. The federal laws include, for example, the following:

- The Federal Anti-Kickback Statute (42 USC Section 1320a-7b(b) of the Social Security Act) which prohibits the knowing and willful solicitation, offer, payment or acceptance of any remuneration, directly or indirectly, overtly or covertly, in cash or in kind in return for: (i) referring an individual to a person for the furnishing or arranging for the furnishing of any item or service for which payment may be made in whole or in part under a federal health care program; or (ii) purchasing, leasing, ordering, or arranging for or recommending purchasing, leasing, or ordering any good, facility, service, or item for which payment may be made in whole or in party under a federal health care program;
- The Stark Law (42 USC Section 1395nn), which prohibits referrals by physicians of Medicare patients to providers of a broad range of designated healthcare services in which the physicians (or their immediate family members) have ownership interests or certain other financial arrangements, unless an exception applies, and prohibits the designated health services entity from submitting claims to Medicare for those services resulting from a prohibited referral;
- The FCA (31 USC Sections 3729-3733) creates liability for any person who submits a false claim to the government or causes another to submit a false claim to the government or knowingly makes a false record or statement to get a false claim paid by the government. In what is known as reverse false claims, the FCA imposes liability where a person acts improperly to avoid having to pay money to the government. The FCA also creates liability for people who conspire to violate the FCA; and
- The CMPL (42 USC 1320a-7a for healthcare) authorizes the U.S. Department of Health and Human Services (the "HHS") to impose civil penalties administratively for fraudulent acts. The scope of the Office of the Inspector General's authority to enforce the CMPL was increased in 2016.

Courts have interpreted the fraud and abuse laws broadly. Sanctions for violating these federal laws include substantial criminal and civil penalties such as punitive sanctions, damage assessments, monetary penalties, imprisonment, denial of Medicare and Medicaid payments, and exclusion from Medicare and Medicaid programs. These laws also impose an affirmative duty on tenants to ensure that they do not employ or contract with persons excluded from Medicare, Medicaid and other government programs. Many states have adopted laws similar to, or more expansive than, the federal fraud and abuse laws. States have also adopted and are enforcing laws that increase the regulatory burden and potential liability of healthcare entities including, but not limited to, patient protections, such as minimum staffing levels, criminal background checks, sanctions for employing excluded providers, restrictions on the use and disclosure of health information, and these state laws have their own penalties which may be in addition to federal penalties.

In the ordinary course of their business, the tenants, and potentially operators at our properties are regularly subject to inquiries, audits and investigations conducted by federal and state agencies that oversee applicable laws and regulations. Increased funding for investigation and enforcement efforts, accompanied by an increased pressure to eliminate government waste, has led to a significant increase in the number of investigations and enforcement actions over the past several years, a trend which is not anticipated to decrease considerably. Significant enforcement activity has been the result of actions brought by regulators, who file complaints in the name of the U.S. (and, if applicable, particular states) under the FCA or equivalent state statutes. Also, the qui tam and whistleblower provisions of the FCA allow private individuals to bring actions on behalf of the government alleging that the government was defrauded. Individuals have tremendous potential financial gain in bringing whistleblower claims as the statute provides that the individual will receive a portion of the money recouped. Additionally, violations of the FCA can result in treble damages.

Violations of federal or state law or FCA actions against a tenant or operator of our properties could have a material adverse effect on the tenant's and operator's liquidity, financial condition or results of operations. Such a negative impact on a tenant's or operator's financial health could adversely affect its ability to satisfy its contractual obligations, including making rental payments under, and otherwise complying with the terms of, its leases and other agreements with us. Federal and state fraud and abuse laws may also restrict the terms of agreements with tenants and operators.

Privacy and Security of Health Information

Various federal and state laws protect the privacy and security of health information. For example, the Health Insurance Portability and Accountability Act of 1996, its implementing regulations and related federal laws and regulations (commonly referred to as "HIPAA") to protect the privacy and security of individually identifiable health information by limiting its use and disclosure. Many states have implemented similar laws to limit the use and disclosure of patient specific health information. The federal government has increased its HIPAA enforcement efforts over the past few years, which has increased the number of audits and enforcement actions, some of which have resulted in significant penalties to healthcare providers. Violations of federal and state privacy and security laws could have a material adverse effect on a tenant and operator's financial condition or operations, which could adversely affect its ability to satisfy its contractual obligations, including making rental payments under, and otherwise complying with the terms of, its leases and other agreements with us.

Reimbursement

We and our tenants derive a large portion of our revenues from insurance payments with the remainder coming from Medicare and Medicaid reimbursement and private pay. The reimbursement methodologies for healthcare facilities are constantly changing and federal and state authorities may implement new or modified reimbursement methodologies that may negatively impact healthcare operations. For example, the ACA enacted certain reductions in Medicare reimbursement rates for various healthcare providers, as well as certain other changes to Medicare payment methodologies.

The ACA has faced ongoing legal challenges, including litigation seeking to invalidate some or all of the law or the manner in which it has been interpreted. While there are no current challenges to the ACA, that could change based on the make-up of Congress and the presidential administration. The uncertain status of the ACA and of the state Medicaid programs, among other things, affect our ability to plan for the future.

Federal and state budget pressures also continue to escalate and, in an effort to address actual or potential budget shortfalls, Congress and many state legislatures may continue to enact reductions to Medicare and Medicaid expenditures through cuts in rates paid to providers or restrictions in eligibility and benefits.

In addition to legislative and executive actions relating to the scope of the ACA, increased enforcement will likely continue to impact the financial framework for healthcare tenants and facilities. For example, CMS is focused on reducing what it considers to be payment errors by identifying, reporting, and implementing actions to reduce payment error vulnerabilities. In November 2020, CMS announced its successes in reducing the 2020 Medicare improper payment rate and specifically called out the successes of its actions to address improper payments in home health and SNF claims. In 2021, CMS again successfully reduced the 2021 Medicare improper payment rate. The risk of improper payments in our SHOP segment is limited as only one property receives Medicare and Medicaid payments and a small percentage of our revenues come from assisted living facilities participating in Medicaid.

In addition, CMS's continuing transition of Medicare from a traditional fee for service reimbursement model to a capitated value-based and bundled payment approach, which shifts the financial responsibility of certain patients to providers, will continue to create unprecedented challenges for providers.

Another notable Medicare health care reform initiative, the Medicare Access and CHIP Reauthorization Act of 2015 ("MACRA"), permanently repealed the Sustainable Growth Rate formula, and provided for an annual rate increase of 0.5% for physicians through 2019, but imposed a six-year freeze on fee updates from 2020 through 2025. MACRA established a new payment framework, called the Quality Payment Program, which modified certain Medicare payments to "eligible clinicians," including physicians, dentists, and other practitioners. MACRA represents a fundamental change in physician reimbursement. The implications of MACRA continue to be uncertain and will depend on future regulatory activity and physician activity in the marketplace. MACRA reporting requirements and quality metrics may encourage physicians to move from smaller practices to larger physician groups or hospital employment, leading to further consolidation of the industry. These and other shifts in payment and risk sharing within an outcome-based model are leading to, among other trends, increasing use of management tools to oversee individual providers and coordinate their services. The focus on utilization puts downward pressure on the number and expense of services provided as payors are moving away from a fee for service model. The continued trend toward capitated, value-based, and bundled payment approaches has the potential to diminish the market for certain healthcare providers, particularly specialist physicians and providers of particular diagnostic technologies. This could adversely impact the medical properties that house these physicians and medical technology providers.

Certain of our facilities are also subject to periodic pre- and post-payment reviews and other audits by governmental authorities, which could result in recoupments, denials, or delay of payments. Additionally, the introduction and explosion of new stakeholders competing with traditional providers in the health market, as well as telemedicine, telehealth and mobile health, are disrupting the heath industry and could lead to new trends in payment. All of the factors discussed-recoupment of past payments or denial or delay of future payments-could adversely affect a tenant's or operator's ability to satisfy its contractual obligations, including making rental payments under, and otherwise complying with the terms of its leases and other agreements with us. Assisted and independent living services generally are not reimbursable under government reimbursement programs, such as Medicare and Medicaid. Most of the resident fee revenues generated by our SHOPs, therefore, are derived from private pay sources consisting of the income or assets of residents or their family members. The rates for these residents are set by the facilities based on local market conditions and operating costs.

We regularly assess the financial implications of reimbursement rule changes on our tenants and operators, but we cannot make any assurances that current rules or future updates will not materially adversely affect our tenants and operators, which, in turn, could have a material adverse effect on their ability to pay rent and other obligations to us. See Item 1A. "Risk Factors — Risks Related to the Healthcare Industry — Reductions or changes in reimbursement from third-party payors, including Medicare and Medicaid, or delays in receiving these reimbursements could adversely affect the profitability of our tenants and operators and hinder their ability to make rent payments to us" and "A reduction in Medicare payment rates for skilled nursing facilities may have an adverse effect on the Medicare reimbursements received by one of our tenants."

Other Regulations

Our investments are subject to various federal, state and local laws, ordinances and regulations, including, among other things, the Americans with Disabilities Act of 1990, zoning regulations, land use controls, environmental controls relating to air and water quality, noise pollution and indirect environmental impacts such as increased motor vehicle activity. We did not make any material capital expenditures in connection with these regulations during the year ended December 31, 2022 and we do not expect that we will be required to make any such material capital expenditures during 2023. We believe that we have all permits and approvals necessary under current law to operate our investments.

Environmental Regulations

As an owner of real property, we are subject to various federal, state and local laws and regulations regarding environmental, health and safety matters. These laws and regulations address, among other things, asbestos, polychlorinated biphenyls, fuel, oil management, wastewater discharges, air emissions, radioactive materials, medical wastes, and hazardous wastes, and in certain cases, the costs of complying with these laws and regulations and the penalties for non-compliance can be substantial. Even with respect to properties that we do not operate or manage, we may be held primarily or jointly and severally liable for costs relating to the investigation and clean-up of any property from which there is or has been an actual or threatened release of a regulated material and any other affected properties, regardless of whether we knew of or caused the release. Such costs typically are not limited by law or regulation and could exceed the property's value. In addition, we may be liable for certain other costs, such as governmental fines and injuries to persons, property or natural resources, as a result of any such actual or threatened release.

Under the terms of our lease and management agreements, we generally have a right to indemnification by the tenants, operators and managers of our properties for any contamination caused by them. However, we cannot make any assurances that our tenants, operators and managers will have the financial capability or willingness to satisfy their respective indemnification obligations to us, and any such inability or unwillingness to do so may require us to satisfy the underlying environmental claims.

We did not make any material capital expenditures in connection with environmental, health, and safety laws, ordinances and regulations during the year ended December 31, 2022 and do not expect that we will be required to make any such material capital expenditures during 2023.

Human Capital Resources

We are an externally managed company and thus have no employees. We have retained the Advisor pursuant to a long-term advisory contract to manage our affairs on a day-to-day basis. We have also entered into agreements with our Property Manager to manage and lease our properties. The employees of the Advisor, Property Manager, and their respective affiliates perform a full range of services for us, including acquisitions, property management, accounting, legal, asset management, investor relations and all general administrative services. We depend on the Advisor and the Property Manager for services that are essential to us. If the Advisor and the Property Manager were unable to provide these services to us, we would be required to provide these services ourselves or obtain them from other sources.

Estimate of Net Asset Value

On April 1, 2022, we published an estimate of per share asset value ("Estimated Per-Share NAV") equal to $15.00 as of December 31, 2021. Our previous Estimated Per-Share NAV was equal to $14.50 as of December 31, 2020. The Estimated Per-Share NAV has not been adjusted since publication and will not be adjusted until the Board determines a new Estimated Per-Share NAV which is expected in early April 2023. Dividends paid in the form of additional shares of common stock will, all things equal, cause the value of each share of common stock to decline because the number of shares outstanding increase when dividends paid in stock are issued. We intend to publish Estimated Per-Share NAV periodically at the discretion of our board of directors (the "Board"), provided that such estimates will be made at least once annually.

Available Information

We electronically file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and all amendments to those filings with the Securities and Exchange Commission ("SEC"). One may read and copy any materials we file with the SEC at the SEC's Internet address located at *https://www.sec.gov*. The website contains reports, proxy statements and information statements, and other information, which one may obtain free of charge. In addition, copies of our filings with the SEC may be obtained from our website *www.healthcaretrustinc.com*. Access to these filings is free of charge. We are not incorporating our website or any information from these websites into this Annual Report on Form 10-K.

Item 1A. Risk Factors

Set *forth below are the risk factors that we believe are material to our investors and a summary thereof. The occurrence of any of the risks discussed in this Annual Report on Form 10-K could have a material adverse effect on our business, financial condition, results of operations and ability to pay dividends and they may also impact other distributions and the value of an investment in our common and preferred stock.*

Summary Risk Factors

- Our operating results are affected by economic and regulatory changes that have an adverse impact on the real estate market in general.
- Our property portfolio has a high concentration of properties located in Florida. Our properties may be adversely affected by economic cycles and risks inherent to those states.
- Our Credit Facility restricts us from paying cash distributions on or repurchasing our common stock until we satisfy certain conditions and there can be no assurance we will be able to resume paying distributions on our common stock, and at what rate, or continue paying dividends on our 7.375% Series A Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value per share (the "Series A Preferred Stock") and our 7.125% Series B Cumulative Redeemable Perpetual Preferred Stock, par value $0.01 par value per share (the "Series B Preferred Stock").
- Our Credit Facility restricts our ability to use cash that would otherwise be available to us, and there can be no assurance our available liquidity will be sufficient to meet our capital needs.
- We are subject to risks associated with a pandemic, epidemic or outbreak of a contagious disease, such as the ongoing global COVID-19 pandemic, including negative impacts on our tenants and operators and their respective businesses.
- Inflation and continuing increases in the inflation rate will have an adverse effect on our investments and results of operations.
- No public market currently exists, or may ever exist, for shares of our common stock and our shares are, and may continue to be, illiquid.
- In owning properties we may experience, among other things, unforeseen costs associated with complying with laws and regulations and other costs, potential difficulties selling properties and potential damages or losses resulting from climate change.
- We focus on acquiring and owning a diversified portfolio of healthcare-related assets located in the United States and are subject to risks inherent in concentrating investments in the healthcare industry.

- The healthcare industry is heavily regulated, and we, our tenants, and operators may be impacted by new or existing laws or regulations, or changes to these laws or regulations, such as the CARES Act and the auditing and reporting requirements instituted by the CARES Act.
- Loss of licensure or failure to obtain licensure could result in the inability of tenants to make lease payments to us.
- We depend on tenants for our rental revenue and, accordingly, our rental revenue depends upon the success and economic viability of our tenants. Lease terminations, tenant default and bankruptcy have adversely affected and could in the future adversely affect our income and cash flow.
- We assume additional operating risks and are subject to additional regulation and liability because we depend on eligible independent contractors to manage some of our facilities.
- We have substantial indebtedness and may be unable to repay, refinance, restructure or extend our indebtedness as it becomes due. Increases in interest rates could increase the amount of our debt payments. We will likely incur additional indebtedness in the future.
- We depend on our Advisor and our Property Manager to provide us with executive officers, key personnel and all services required for us to conduct our operations and our operating performance may be impacted by an adverse changes in the financial health or reputation of our Advisor and our Property Manager.
- All of our executive officers face conflicts of interest, such as conflicts created by the terms of our agreements with the Advisor and compensation payable thereunder, conflicts allocating investment opportunities to us, and conflicts in allocating their time and attention to our matters. Conflicts that arise may not be resolved in our favor and could result in actions that are adverse to us.
- We have long-term agreements with our Advisor and its affiliates that may be terminated only in limited circumstances and may require us to pay a termination fee in some cases.
- Estimated Per-Share NAV may not accurately reflect the value of our assets and may not represent what a stockholder may receive on a sale of the shares, what they may receive upon a liquidation of our assets and distribution of the net proceeds or what a third party may pay to acquire us.
- The stockholder rights plan adopted by our board of directors, our classified board and other aspects of our corporate structure and Maryland law may discourage a third party from acquiring us in a manner that might result in a premium price to our stockholders.
- Restrictions on share ownership contained in our charter may inhibit market activity in shares of our stock and restrict our business combination opportunities.
- We may fail to continue to qualify as a REIT.

Risks Related to Our Properties and Operations

Our property portfolio has a high concentration of properties located in one state. Our properties may be adversely affected by economic cycles and risks inherent to those states.

A total of 10% or more of our consolidated annualized rental income on a straight-line basis for the fiscal year ended December 31, 2022 was generated from the state below:

State	Percentage of Straight-Line Rental Income
Florida	19.2%

Any adverse situation that disproportionately affects operations or investments in the states listed above may have a magnified adverse effect on our portfolio. Real estate markets are subject to economic downturns, as they have been in the past, and we cannot predict how economic conditions will impact this market in both the short and long-term. Declines in the economy or a decline in the real estate market in these states could hurt our financial performance and the value of our properties. Factors that may negatively affect economic conditions include:

- business layoffs or downsizing;
- industry slowdowns;
- relocations of businesses;
- climate change;
- changing demographics;

- increased telecommuting and use of alternative workplaces;
- infrastructure quality;
- any oversupply of, or reduced demand for, real estate;
- concessions or reduced rental rates under new leases for properties where tenants defaulted;
- increased insurance premiums;
- state budgets and payment to providers under Medicaid or other state healthcare programs; and
- changes in reimbursement for healthcare services from commercial insurers.

We may be unable to enter into contracts for and complete property acquisitions on advantageous terms or our property acquisitions may not perform as we expect.

One of our goals is to increase assets through acquiring additional properties, and pursuing this investment objective exposes us to numerous risks, including:

- competition from other real estate investors with significant capital resources;
- we may acquire properties that are not accretive;
- we may not successfully integrate, manage and lease the properties we acquire in a fashion that meets our expectations or market conditions may result in future vacancies and lower-than expected rental rates;
- we expect to finance future acquisitions primarily with additional borrowings under our Revolving Credit Facility, and there can be no assurance as to how much borrowing capacity will be available for this purpose
- we may be unable to assume existing debt financing or obtain property-level debt financing or raise equity required to fund acquisitions from other sources on favorable terms, or at all;
- we may need to spend more than budgeted amounts to make necessary improvements or renovations to acquired properties;
- agreements for the acquisition of properties are typically subject to customary conditions to closing that may or may not be completed, and we may spend significant time and money on potential acquisitions that we do not consummate;
- the process of acquiring or pursuing the acquisition of a new property may divert the attention of our management team from our existing business operations; and
- we may acquire properties without recourse, or with only limited recourse, for liabilities, whether known or unknown.

We rely upon our Advisor and the real estate professionals employed by affiliates of our Advisor to identify suitable investments. There can be no assurance that our Advisor will be successful in doing so on financially attractive terms or that our objectives will be achieved. If our Advisor is unable to timely locate suitable investments, we may be unable to meet our investment objectives.

We have not paid our distributions on our common stock in cash since 2020, and there can be no assurance we will pay distributions on our common stock in cash in the future.

All dividends or other distributions on our common stock are paid in the discretion of our board of directors. We have not paid cash distributions since 2020. We have recently been issuing dividends in the form of common stock valued at the Estimated Per-Share NAV in effect on the applicable date. There is no assurance we will continue to do so or when or if we will pay dividends or distributions in cash. We last published an Estimated Per-Share NAV on April 1, 2022. The estimate was as of December 31, 2021 and has not been adjusted since publication and will not be adjusted until the Board determines a new Estimated Per-Share NAV which is expected in early April 2023. Dividends issued in the form of additional shares of common stock will, all things equal, cause the value of each share of common stock to decline because the number of shares outstanding will increase when stock dividends are issued; however, because each common stockholder will receive the same number of new shares, the total value of a common stockholder's investment, all things equal, will not change assuming no sales or other transfers. As described herein, we will not be able to pay cash distributions on our common stock until we satisfy certain conditions set forth in our Revolving Credit Facility. Our ability to make future cash distributions on our common stock will depend on our future cash flows and indebtedness and may further depend on our ability to obtain additional liquidity, which may not be available on favorable terms, or at all. Further, if we do not pay dividends on our Series A Preferred Stock or Series B Preferred Stock, any accrued and unpaid dividends payable with respect to the Series A Preferred Stock or Series B Preferred Stock become part of the liquidation preference thereof, as applicable, and, whenever dividends on the Series A Preferred Stock or Series B Preferred Stock are in arrears, whether or not authorized or declared, for six or more quarterly periods, holders of Series A Preferred Stock or Series B Preferred Stock will have the right to elect two additional directors to serve on our board.

We are subject to risks associated with a pandemic, epidemic or outbreak of a contagious disease, such as the COVID-19 pandemic.

The COVID-19 pandemic has had, and another pandemic in the future could have, repercussions across many sectors and areas of the global economy and financial markets, leading to significant adverse impacts on economic activity including volatility in financial markets.

The impact of the COVID-19 pandemic evolved rapidly. In many states and cities where our properties are located, measures including "shelter-in-place" or "stay-at-home" orders were issued by local, state and federal authorities for much of 2020 and early part of 2021 and social distancing measures that resulted in closure and limitations on the operations of many businesses and organizations. Although most of these measures have been lifted, they may be reinstated in the future in response to COVID-19 or other pandemics, endemics or health emergencies. Our tenants and SHOP properties operate businesses that require in-person interactions with their patients and residents. COVID-19 has impacted, and will likely continue to impact, the willingness of persons to, among other things, live in or use facilities at our properties, and impact the revenues generated by our tenants which may further impact the ability of our tenants to pay their rent obligations to us when due.

Our ability to lease space and negotiate and maintain favorable rents and the results of operations at our SHOPs could also continue to be negatively impacted by a prolonged recession in the U.S. Additionally, downturns or stagnation the U.S. housing market as a result of an economic downturn could adversely affect the ability, or perceived ability, of seniors to afford the resident fees and services at our seniors housing properties. Moreover, the demand for leasing space at our MOB properties could decline further negatively impacting occupancy percentage, revenue and net income.

MOB Segment

Within our MOB portfolio, the transmission of COVID-19 has impacted, and could continue to impact, the willingness of persons to seek medical care for non-urgent issues. Further, the COVID-19 pandemic adversely impacted, and may continue to impact, the business of our MOB tenants by causing a decline in the number of patients seeking treatment, by disrupting or delaying production and delivery of medical supplies such as necessary pharmaceuticals (including due to a diversion of resources and priorities toward the treatment of COVID-19) or by causing staffing shortages, which disrupted property operations. The complete or partial closures of, or other operational issues at, one or more of our properties resulting from the impacts of COVID-19, and may continue to increase the risk of rent deferrals or non-payment of contractual obligations by our tenants or operators.

As a result of these and other factors, tenants or operators that experience deteriorating financial conditions as a result of the outbreak of COVID-19 have been, or may, in the future be, unwilling or unable to pay us in full or on a timely basis due to bankruptcy, lack of liquidity, lack of funding, operational failures, or for other reasons. We reported cash collections of nearly 100% for the MOB facilities segment for the year ended December 31, 2022 as of February 28, 2023. However, the impact of the COVID-19 pandemic on our tenants and operators and thus our ability to collect rents in future periods cannot be determined as present and the amount of cash rent collected during the past two years may not be indicative of any future period.

SHOP Segment

Starting in March 2020, the COVID-19 pandemic and measures to prevent its spread began to affect us in a number of ways. In our SHOP portfolio, occupancy has decreased compared to that in March 2020. During the pandemic, governmental policies and implementation of infection control best practices materially limited or closed communities to new resident move-ins which affected our ability to fill vacancies. We have also experienced lower inquiry volumes and reduced in-person tours during the pandemic. In addition, starting in mid-March 2020, operating costs began to rise materially, including for services, labor and personal protective equipment and other supplies, as our tenants and operators took appropriate actions to protect residents and caregivers. At the SHOP facilities, we generally bear these cost increases. See below for additional information on the CARES Act. These trends accelerated beginning in the second quarter of 2020, continued into early 2021, until stabilizing in the third quarter. Future developments in the course of the pandemic may have adverse impacts on our occupancy and cost levels, and these trends may continue to impact us in the future and have a material adverse effect on our revenues and results of operations.

COVID-19 and its variants have been particularly harmful to seniors and persons with other pre-existing health conditions. There have been incidences of infection among the residents and staff at our SHOPs. Further incidences, or the perception that outbreaks may occur, could materially and adversely affect our revenues and net income, as well as cause significant reputational harm to us and our tenants, managers and operators. Due to the contagious nature of COVID-19, residents at our SHOPSs may decide to leave the community and the workforce at these facilities may similarly shrink**.** The tenants and operators may be required, or may otherwise determine that it would be prudent, to impose a quarantine of an indeterminate duration. We have and may also be required to incur additional costs to identify, contain and remedy the direct or indirect impacts of the COVID-19 pandemic, including costs related to implementing quarantines and vaccinations. Moreover, if seniors housing properties across the U.S. experience high levels of residents infected with COVID-19, including its variants, and related deaths, potential residents may delay or forego moving into seniors housing properties. As a result, our operating results from our SHOPs, and the value of these properties, may be materially adversely affected.

The long-term impact on our tenants and operators in our SHOP segment cannot be determined at present. We may continue to experience defaults and additional requests for rent deferrals or abatements or other allowances particularly if our tenants continue to experience financial distress and increased operating costs or if healthcare facilities and SHOPs continue to experience downward pressures on occupancy and increased costs. Furthermore, if we declare any tenants in default for non-payment of rent or other potential breaches of their leases with us, we might not be able to recover and may experience delays and additional costs in enforcing our rights as landlord to recover amounts due to us. Our ability to recover amounts under the terms of our leases may also be restricted or delayed as a result of any federal, state or local restrictions on tenant evictions for failure to make contractual rent payments, which may result in higher reserves for bad debt. If any of our tenants, any guarantor of a tenant's lease obligations or an operator, files for bankruptcy, we could be further adversely affected due to loss of revenue and a decline in income produced by the property or properties.

Other Impacts

In addition to the impacts on us, our tenants and operators described above, the COVID-19 pandemic has also impacted us in other ways and enhanced certain risks that could have a significant adverse effect on our business, financial condition and results of operations and our ability to pay distributions (including dividends on our Series A Preferred Stock and Series B Preferred Stock) and other distributions to our stockholders including:

- difficulty accessing debt and equity capital on favorable terms, or at all, if global financial markets become disrupted or unstable or credit conditions deteriorate;
- disruption and instability in financial markets or deteriorations in credit and financing conditions could have an impact on the overall amount of capital being invested in real estate and could result in price or value decreases for real estate assets, which could negatively impact the value of our assets and may result in future acquisitions generating lower overall economic returns;
- the volatility in stock markets caused by, among other things, the COVID-19 pandemic or the ongoing war in Ukraine could negatively impact the trading price of our Series A Preferred Stock, our Series B Preferred Stock and the value of our common stock and dilute our stockholders' interest in us if we sell additional equity securities at prices less than the prices our stockholders paid for their shares;
- limiting the number of properties we may seek to acquire due to capital availability;
- that planned dispositions may not occur within the expected timeframe or at all because of buyer terminations or withdrawals related to the pandemic, capital constraints or other factors relating to the pandemic, including closing conditions that are dependent on the occurrence of events linked to the pandemic;
- until we satisfy certain conditions, our Credit Facility restricts us from paying cash distributions on, or repurchasing, shares of our common stock, and we must use all of the net cash proceeds from any capital event (such as an asset sale, financing or equity issuance) to prepay amounts outstanding under the revolving portion of the Credit Facility;
- our ability to maintain sufficient availability under our Credit Facility to fund the purchase of properties and meet other capital requirements which may be adversely affected to the extent the decreases in cash rent collected from our tenants and income from our operators cause a decrease in availability of future borrowings under our Credit Facility;
- if we are unable to comply with financial covenants and other obligations under our Credit Facility and other debt agreements we could default under those agreements which could potentially result in an acceleration of our indebtedness and foreclosure on our properties and could otherwise negatively impact our liquidity;
- we have recognized, and may need to recognize further, impairment charges on our assets;
- one or more counterparties to our derivative financial instruments could default on their obligations to us increasing the risk that we may not realize the benefits of utilizing these instruments;
- we may be required to record reserves on previously accrued amounts in cases where it is subsequently concluded that collection is not probable;
- tenants and operators may be subject to lawsuits related to COVID-19 outbreaks that may occur at our properties and insurance coverage may not be sufficient to cover any potential losses further straining their financial condition;
- difficulty in repositioning properties where we or our tenants or operators have terminated or do not renew the leases or management agreements with another tenant or operator may be exacerbated by the COVID-19 pandemic, as new tenants or operators may not be willing to take on the increased exposure, especially while active cases are occurring;
- difficulties completing capital improvements at our properties on a timely basis, on budget or at all, could affect the value of our properties;
- our ability to ensure business continuity in the event our Advisor's continuity of operations plan is not effective or is improperly implemented or deployed during a disruption;
- increased operating risks resulting from changes to our Advisor's operations and remote work arrangements, including the potential effects on our financial reporting systems and internal controls and procedures, cybersecurity risks and increased vulnerability to security breaches, information technology disruptions and other similar events;
- increased operating risks resulting from changes to operations of our operators, including their personnel, which may adversely impact the service provided by our operators with respect to our SHOPs; and

- complying with REIT requirements during a period of reduced cash flow could cause us to liquidate otherwise attractive investments or borrow funds on unfavorable conditions.

The extent to which the COVID-19 pandemic, or a future pandemic, impacts our operations and those of our tenants and operators will depend on future developments, including the scope, severity and duration of the pandemic, one or more resurgences of the virus, or its variants, which could result in further government restrictions, the efficacy of available vaccines and boosters or other remedies developed, the efficacy of on-going efforts to distribute and administer available vaccines and boosters, the actions taken to contain the pandemic or mitigate its impact, including vaccine mandates and the direct and indirect economic effects of the pandemic and containment measures, among others, which are highly uncertain and cannot be predicted with confidence but could be material. The situation is rapidly changing and additional impacts to the business may arise that we are not aware of currently. The rapid development and fluidity of this situation precludes any prediction as to the full adverse impact of the COVID-19 pandemic, but a prolonged or resurgent outbreak as well as related mitigation efforts could continue to have a material adverse effect. Moreover, many risk factors set forth in this Annual Report on Form 10-K should be interpreted as heightened risks as a result of the COVID-19 pandemic.

There is uncertainty surrounding the administration and effect of the CARES Act and the auditing and reporting requirements instituted by the CARES Act.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed into law, which provided funding to Medicare providers in order to provide financial relief during the COVID-19 pandemic. Funds provided under the program were to be used for the preparation, prevention, and medical response to COVID-19, and were designated to reimburse providers for healthcare related expenses and lost revenues attributable to COVID-19. We received $4.5 million, $5.1 million and $3.6 million in these funds during the years ended December 31, 2022, 2021, and 2020, respectively. We do not anticipate that any further funds under the CARES Act will be received and, there can be no assurance that any further amounts will be received under potential future government programs related to COVID-19. We consider the funds to be a grant contribution from the government and the full amount was recognized as a reduction of property operating expenses in our consolidated statements of operations for the years ended December 31, 2022, 2021 and 2020.

As a condition of the funds received under the CARES Act, we had to attest to certain terms and conditions, and must comply with detailed reporting and auditing requirements. While we do not anticipate any finding of non-compliance, such a finding could result in consequences including repayment of funds received.

If a tenant or lease guarantor declares bankruptcy or becomes insolvent, we may be unable to collect balances due under relevant leases.

We have previously had tenants file for bankruptcy and seek the protections afforded under Title 11 of the United States Code. There is no assurance we will not experience this in the future. A bankruptcy filing by one of our tenants or any guarantor of a tenant’s lease obligations would result in a stay of all efforts by us to collect pre-bankruptcy debts from these entities or their assets, unless we receive an enabling order from the bankruptcy court. Post-bankruptcy debts would be required to be paid currently. If a lease is assumed by the tenant, all pre-bankruptcy balances owing under it must be paid in full. If a lease is rejected by a tenant in bankruptcy, we would only have a general unsecured claim for damages. If a lease is rejected, it is unlikely we would receive any payments from the tenant because our claim is capped at the rent reserved under the lease, without acceleration, for the greater of one year or 15% of the remaining term of the lease, but not greater than three years, plus rent already due but unpaid as of the date of the bankruptcy filing (post-bankruptcy rent would be payable in full). This claim could be paid only if funds were available, and then only in the same percentage as that realized on other unsecured claims.

A tenant or lease guarantor bankruptcy could delay efforts to collect past due balances under the relevant leases, and could ultimately preclude full collection of these sums. A tenant or lease guarantor bankruptcy could cause a decrease or cessation of rental payments that would mean a reduction in our cash flow and the amount available for dividends and other distributions to our stockholders. In the event of a bankruptcy, there is no assurance that the debtor in possession or the bankruptcy trustee will assume the lease.

A sale-leaseback transaction may be recharacterized in a tenant’s bankruptcy proceeding.

We may enter into sale-leaseback transactions, where we purchase a property and then lease the same property back to the seller, who becomes our tenant as part of the transaction. In the event of the bankruptcy of a tenant, a transaction structured as a sale-leaseback may be recharacterized as either a financing or a joint venture, and either type of recharacterization could adversely affect our business. If the sale-leaseback were recharacterized as a financing, we might not be considered the owner of the property, and as a result would have the status of a creditor. In that event, we would no longer have the right to sell or encumber our ownership interest in the property. Instead, we would have a claim against the tenant for the amounts owed under the lease. The tenant/debtor might have the ability to propose a plan restructuring the term, interest rate and amortization schedule of its outstanding balance. If this plan were confirmed by the bankruptcy court, we would be bound by the new terms. If the sale-leaseback were recharacterized as a joint venture, our lessee and we could be treated as co-venturers with regard to the property. As a result, we could be held liable, under some circumstances, for debts incurred by the lessee relating to the property. Either of these outcomes could adversely affect our cash flow.

Our results of operations have been, and may continue to be, adversely impacted by our inability to collect rent from tenants.

On occasion, tenants at certain properties in our MOB segment and residents at certain properties in our SHOP segment have been in default under their leases to us. These defaults negatively impact our results of operations. We incurred $3.2 million, $1.1 million and $2.7 million of bad debt expense, including straight-line rent write-offs, related to tenants in default under their leases to us during the years ended December 31, 2022, 2021 and 2020, respectively.

Further, even if we replace tenants in default to us in a manner that will allow us to transition the properties leased to those tenants to our SHOP segment, there can be no assurance this strategy will be successful and we may be more exposed to changes in property operating expenses. There also can be no assurance that we will be able to replace these tenants on a timely basis, or at all, and our results of operations may therefore continue to be adversely impacted by bad debt expenses related to our inability to collect rent from defaulting tenants. Transitions will also increase our exposure to risks associated with operating in this structure.

Our tenants or operators that experience deteriorating financial conditions have been, or may, in the future be, unwilling or unable to pay us in full or on a timely basis due to bankruptcy, lack of liquidity, lack of funding, operational failures, or for other reasons. There is no assurance we will continue to collect at the current rates. Our ability to collect rents in future periods may be impacted by issues or events that cannot be determined as present and the amount of cash rent collected during 2022 may not be indicative of any future period.

Our operating results are affected by economic and regulatory changes that have an adverse impact on the real estate market.

Our operating results and the value of our properties are subject to risks, including:

- changes in national and market-specific economic conditions;
- changes in supply of or demand for competing properties in our market area;
- changes in interest rates and availability of financing on favorable terms;
- changes in tax, real estate, environmental and zoning laws;
- periods of high interest rates and tight money supply; and
- the possibility that one or more of our tenants will not pay their rental obligations.

Properties may have vacancies for a significant period of time.

A property may have vacancies either due to tenant defaults or the expiration of leases. If vacancies continue for a long period of time, our revenues and net income will be adversely impacted. In addition, the value of a property depends principally on the cash flow generated by the properties. Prolonged vacancies reduce our cash flow.

We obtain only limited warranties when we purchase a property and therefore have only limited recourse if our due diligence did not identify any issues that lower the value of our property.

We have acquired and may continue to acquire properties in “as is” condition on a “where is” basis and “with all faults,” without any warranties of merchantability or fitness for a particular use or purpose. In addition, purchase agreements we entered into may contain only limited warranties, representations and indemnifications that will only survive for a limited period after the closing. The purchase of properties with limited warranties increases the risk that we may lose some or all our invested capital in the property as well as the loss of rental income from that property if a situation or loss occurs after the fact for which we have limited or no remedy.

Our properties and tenants may be unable to compete successfully.

The properties we have acquired and will acquire may face competition from nearby hospitals, senior housing properties and other medical office buildings and medical facilities that provide comparable services. Some of those competing facilities are owned by governmental agencies and supported by tax revenues, and others are owned by nonprofit corporations and may be supported to a large extent by endowments and charitable contributions. These types of support are not available to our properties. Similarly, our tenants face competition from other medical practices in nearby hospitals and other medical facilities. Additionally, the introduction and explosion of new stakeholders competing with traditional providers in the healthcare market, including companies such as telemedicine, telehealth and mhealth, are disrupting the healthcare industry. Our tenants’ failure to compete successfully with these other practices and providers could adversely affect their ability to make rental payments, which could adversely affect our rental revenues.

Further, from time to time and for reasons beyond our control, referral sources, including physicians and managed care organizations, may change their lists of hospitals or physicians to which they refer patients. This could adversely affect the ability of our tenants to make rental payments.

We may be unable to secure funds for future tenant improvements or capital needs.

If a tenant does not renew its lease or otherwise vacates its space, we will likely be required to expend substantial funds to improve and refurbish the vacated space. In addition, we are typically responsible for any major structural repairs, such as repairs to the foundation, exterior walls and rooftops, even if our leases with tenants may require tenants to pay routine property maintenance costs. If we need additional capital in the future to improve or maintain our properties or for any other reason, we may have to obtain financing from sources beyond our cash flow from operations, such as borrowings, property sales or future equity offerings to fund these capital requirements. These sources of funding may not be available on attractive terms or at all. Failure to procure additional funding for additional funding improvements would impact the value of the applicable property or our ability to lease the applicable property on favorable terms, if at all.

We have acquired or financed, and may continue to acquire or finance, properties with lock-out provisions which may prohibit us from selling a property, or may require us to maintain specified debt levels for a period of years on some properties.

Lock-out provisions, such as the provisions contained in certain mortgage loans we have entered into, could materially restrict our ability to sell or otherwise dispose of properties or refinance properties, including by requiring a yield maintenance premium to be paid in connection with the required prepayment of principal upon a sale or disposition. Lock-out provisions may also prohibit us from reducing the outstanding indebtedness with respect to any properties, refinancing such indebtedness on a non-recourse basis at maturity, or increasing the amount of indebtedness with respect to such properties. Lock-out provisions could also impair our ability to take other actions during the lock-out period that may otherwise be in the best interests of our stockholders. In particular, lock-out provisions could preclude us from participating in major transactions that could result in a disposition of our assets or a change in control. Payment of yield maintenance premiums in connection with dispositions or refinancings could adversely affect our cash flow.

Rising expenses could reduce cash flow.

The properties that we own or may acquire are subject to operating risks, any or all of which may negatively affect us. If any property is not fully occupied or if rents are being paid in an amount that is insufficient to cover operating expenses, we could be required to expend funds with respect to that property for operating expenses. Properties may be subject to increases in tax rates, utility costs, operating expenses, insurance costs, repairs and maintenance and administrative expenses. We may not be able to negotiate leases on a triple-net basis or on a basis requiring the tenants to pay all or some of such expenses, in which event we may have to pay those costs. If we are unable to lease properties on a triple-net basis or on a basis requiring the tenants to pay all or some of such expenses, or if tenants fail to pay required tax, utility and other impositions, we could be required to pay those costs.

Inflation and continuing increases in the inflation rate may have an adverse effect on our investments and results of operations.

Recent increases and continuing increases in the rate of inflation, both real and anticipated, may impact our investments and results of operations. Inflation could erode the value of long-term leases that do not contain indexed escalation provisions, or contain fixed annual rent escalation provisions that are at rates lower than the rate of inflation, and increase expenses including those that cannot be passed through under our leases. Increased inflation could also increase our general and administrative expenses and, as a result of an increase in market interest rate in response to higher than anticipated inflation rate, increase our mortgage and debt interest costs, and these costs could increase at a rate higher than our rent increases. An increase in our expenses, or expenses paid or incurred by our Advisor or its affiliates that are reimbursed by us pursuant to the advisory agreement, or a failure of revenues to increase at least with inflation could adversely impact our results of operations.

For the year ended December 31, 2022, the increase to the 12-month Consumer Price Index for all items, as published by the Bureau of Labor Statistics, was 6.5%. To help mitigate the adverse impact of inflation, approximately 90% of our leases with tenants in our MOB segment contain rent escalation provisions in their base rent which average 2.3% per year. These provisions generally increase rental rates during the terms of the leases either at fixed rates or indexed escalations (based on the Consumer Price Index or other measures). Leases with fixed or no escalation provisions may not keep pace with current rates of inflation, whereas leases with indexed escalations may provide more protection against inflation. Approximately 86% are fixed-rate, 4.1% are based on the Consumer Price Index and 10% do not contain any escalation provisions.

In addition to base rent, our net leases require the single-tenant MOB leases to pay all the properties operating expenses and our multi-tenant MOB leases to pay their allocable share of operating expenses, which may include common area maintenance costs, real estate taxes and insurance. Increased operating costs paid by our tenants under these net leases could have an adverse impact on our tenants if increases in their operating expenses exceed increases in their revenue, which may adversely affect our tenants' ability to pay rent owed to us or property expenses to be paid, or reimbursed to us, by our tenants. Renewals of leases or future leases for our net lease properties may not be negotiated on a triple-net basis or on a basis requiring the tenants to pay all or some of such expenses, in which event we may have to pay those costs. If we are unable to lease properties on a triple-net basis or on a basis requiring the tenants to pay all or some of such expenses, or if tenants fail to pay required tax, utility and other impositions, we could be required to pay those costs.

Leases with residents at our SHOPs typically do not have rent escalations, however, we are able to renew leases at market rates as they mature due to their short-term nature. As inflation rates increase or persist at high levels, the cost of providing medical care at our SHOPs, particularly labor costs, will increase. If we are unable to admit new residents or renew resident leases at market rates, while bearing these increased costs from providing services to our residents, our results of operations may be affected.

Damage from catastrophic weather and other natural events and climate change could result in losses to us.

Certain of our properties are located in areas that may experience catastrophic weather and other natural events from time to time, including hurricanes or other severe weather, flooding, fires, snow or ice storms, windstorms or, earthquakes. These adverse weather and natural events could cause substantial damages or losses to our properties which could exceed our insurance coverage. In the event of a loss in excess of insured limits, we could lose our capital invested in the affected property, as well as anticipated future revenue from that property. We could also continue to be obligated to repay any mortgage indebtedness or other obligations related to the property.

To the extent that significant changes in the climate occur, we may experience extreme weather and changes in precipitation and temperature and rising sea levels, all of which may result in physical damage to or a decrease in demand for properties located in these areas or affected by these conditions. The impact of climate change may be material in nature, including destruction of our properties, or occur for lengthy periods of time.

Growing public concern about climate change has resulted in the increased focus of local, state, regional, national and international regulatory bodies on greenhouse gas (“GHG”) emissions and climate change issues. Legislation to regulate GHG emissions has periodically been introduced in the U.S. Congress, and there has been a wide-ranging policy debate, both in the U.S. and internationally, regarding the impact of these gases and possible means for their regulation. Federal, state or foreign legislation or regulation on climate change could result in increased capital expenditures to improve the energy efficiency of our existing properties or to protect them from the consequence of climate change and could also result in increased compliance costs or additional operating restrictions that could adversely impact the businesses of our tenants and their ability to pay rent.

We may suffer uninsured losses relating to real property or have to pay expensive premiums for insurance coverage.

Our general liability, property and umbrella liability insurance coverage on all our properties may not be adequate to insure against liability claims and provide for the costs of defense. Similarly, we may not have adequate coverage against the risk of direct physical damage or to reimburse us on a replacement cost basis for costs incurred to repair or rebuild each property. Moreover, there are types of losses, generally catastrophic in nature, such as losses due to wars, acts of terrorism, earthquakes, floods, hurricanes, pollution or environmental matters that are uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments. Insurance risks associated with such catastrophic events could sharply increase the premiums we pay for coverage against property and casualty claims.

This risk is particularly relevant with respect to potential acts of terrorism. The Terrorism Risk Insurance Act of 2002 (the “TRIA”), under which the U.S. federal government bears a significant portion of insured losses caused by terrorism, will expire on December 31, 2027, and there can be no assurance that Congress will act to renew or replace the TRIA following its expiration. In the event that the TRIA is not renewed or replaced, terrorism insurance may become difficult or impossible to obtain at reasonable costs or at all, which may result in adverse impacts and additional costs to us.

Changes in the cost or availability of insurance due to the non-renewal of the TRIA or for other reasons could expose us to uninsured casualty losses. If any of our properties incurs a casualty loss that is not fully insured, the value of our assets will be reduced by any uninsured loss. In addition, other than any working capital reserve or other reserves we may establish, we have no source of funding to repair or reconstruct any uninsured property. Also, to the extent we must pay unexpectedly large amounts for insurance, we could suffer reduced earnings that would result in less cash flow.

Additionally, mortgage lenders insist in some cases that commercial property owners purchase coverage against terrorism as a condition for providing mortgage loans. Accordingly, to the extent terrorism risk insurance policies are not available at reasonable costs, if at all, our ability to finance or refinance indebtedness secured by our properties could be impaired. In such instances, we may be required to provide other financial support, either through financial assurances or self-insurance, to cover potential losses. We may not have adequate, or any, coverage for the losses.

Actual or threatened terrorist attacks and other acts of violence, civilian unrest or war may affect the markets in which we operate our business and our profitability.

We own properties in densely populated areas that are susceptible to terrorist attack or damage. Because our properties are generally open to the public, they are exposed to a number of incidents that may take place within or around their premises and that are beyond our control or ability to prevent. Any actual or threatened act of terror, mass shooting or other violence could have a negative effect on our business, including us losing our tenants or being forced to close one or more of our properties for some time. If any of these incidents were to occur, the relevant property could face material damage to its image and the revenue generated therefrom. In addition, we may be exposed to civil liability and be required to indemnify the victims, and our insurance premiums could rise, any of which could adversely affect us.

In addition, actual or threatened terrorist activity or violent criminal acts, including terrorist acts against public institutions or buildings or modes of public transportation (including airlines, trains or buses) could have a negative effect on our business, the value of our properties and our results of operations. More generally, any terrorist attack, other act of violence or war, including armed conflicts, could result in increased volatility in, or damage to, the worldwide financial markets and economy, including demand for properties and availability of financing. Increased economic volatility could adversely affect our tenants' abilities to conduct their operations profitably or our ability to borrow money or issue capital stock at acceptable prices.

Real estate-related taxes may increase and these increases may not be passed on to tenants.

From time to time our property taxes increase as property values or assessment rates change or for other reasons. An increase in the assessed valuation of a property for real estate tax purposes will result in an increase in the related real estate taxes on that property. There is no assurance that renewal leases or future leases will be negotiated on a basis that passes such taxes on to the tenant.

Covenants, conditions and restrictions may impact our ability to operate a property.

Some of our properties are contiguous to other parcels of real property, comprising part of the same commercial center. In connection with such properties, there are significant covenants, conditions and restrictions restricting the operation of such properties and any improvements on such properties, and related to granting easements on such properties. Moreover, the operation and management of the contiguous properties may impact such properties. Compliance with covenants, conditions and restrictions may adversely affect our operating costs and reduce the amount of cash flow that we generate.

Our operating results may be negatively affected by potential development and construction delays and resultant increased costs and risks.

We have acquired and developed, and may in the future acquire and develop, properties upon which we will construct improvements. In connection with our development activities, we are subject to uncertainties associated with re-zoning for development, environmental concerns of governmental entities or community groups and our builder or partner's ability to build in conformity with plans, specifications, budgeted costs, and timetables. Performance also may be affected or delayed by conditions beyond our control. For example, we experienced substantial delays and incurred significant additional costs associated with development of a property located in Jupiter, Florida, a property we subsequently sold at a price below the amount we had invested. We would be exposed to the risks in connection with any other properties we develop. We may incur additional risks when we make periodic progress payments or other advances to builders before they complete construction. If a builder or development partner fails to perform, we may resort to legal action to rescind the purchase or the construction contract or to compel performance, but there can be no assurance any legal action would be successful. These and other factors can result in increased costs of a project or loss of our investment. In addition, we will be subject to normal lease-up risks relating to newly constructed projects. We also must rely on rental income and expense projections and estimates of the fair market value of property upon completion of construction when agreeing upon a price at the time we acquire the property. If our projections are inaccurate, we may pay too much for a property, and our return on our investment could suffer.

We compete with third parties in acquiring properties and other investments and attracting credit worthy tenants.

We compete with many other entities engaged in real estate investment activities, including individuals, corporations, private investment funds, bank and insurance company investment accounts, other REITs, real estate limited partnerships, and other entities engaged in real estate investment activities, many of which have greater resources than we do. These entities may enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. In addition, the number of entities and the amount of funds competing for suitable investments may increase. Increased demand for assets will likely increase acquisition prices.

We also compete with other comparable properties for tenants, which impacts our ability to rent space and the amount of rent charged. We could be adversely affected if additional competitive properties are built in locations near our properties, causing increased competition for creditworthy tenants. This could result in decreased cash flow from our properties and may require us to make capital improvements to properties that we would not have otherwise made, further impacting property cash flows.

Discovery of previously undetected environmentally hazardous conditions may adversely affect our operating results.

We are subject to various federal, state and local laws and regulations that (a) regulate certain activities and operations that may have environmental or health and safety effects, such as the management, generation, release or disposal of regulated materials, substances or wastes, (b) impose liability for the costs of cleaning up, and damages to natural resources from, past spills, waste disposals on and off-site, or other releases of hazardous materials or regulated substances, and (c) regulate workplace safety. Compliance with these laws and regulations could increase our operational costs. Violation of these laws may subject us to significant fines, penalties or disposal costs, which could negatively impact our results of operations, financial position and cash flows. Under various federal, state and local environmental laws (including those of foreign jurisdictions), a current or previous owner or operator of currently or formerly owned, leased or operated real property may be liable for the cost of removing or remediating hazardous or toxic substances on, under or in such property. The costs of removing or remediating could be substantial. These laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Certain environmental laws and common law principles could be used to impose liability for release of, and exposure to, hazardous substances, including asbestos-containing materials into the air, and third parties may seek recovery from owners or operators of real properties for personal injury or property damage associated with exposure to released hazardous substances. In addition, when excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Concern about indoor exposure to mold has been increasing, as exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold at any of our properties could require us to undertake a costly remediation program to contain or remove the mold from the affected property or development project. Accordingly, we may incur significant costs to defend against claims of liability, to comply with environmental regulatory requirements, to remediate any contaminated property, or to pay personal injury claims.

Moreover, environmental laws also may impose liens on property or other restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures or prevent us or our Property Manager and its assignees from operating such properties. Compliance with new or more stringent laws or regulations or stricter interpretation of existing laws may require us to incur material expenditures. Future laws, ordinances or regulations or the discovery of currently unknown conditions or non-compliances may impose material liability under environmental laws.

If we sell properties by providing financing to purchasers, defaults by the purchasers would adversely affect our cash flows.

In some instances, we may sell our properties by providing financing to purchasers. If we do so, we will bear the risk that the purchaser may default on its debt, requiring us to seek remedies, a process which may be time-consuming and costly. Further, the borrower may have defenses that could limit or eliminate our remedies. In addition, even in the absence of a purchaser default, the proceeds from the sale will be delayed until the promissory notes or other property we may accept upon the sale are actually paid, sold, refinanced or otherwise disposed of. In some cases, we may receive initial down payments in cash and other property in the year of sale in an amount less than the selling price and subsequent payments will be spread over a number of years.

We assume additional operational risks and are subject to additional regulation and liability because we depend on eligible independent contractors to manage some of our facilities.

We invest in SHOPs using the RIDEA structure which permits REITs such as us to lease certain types of healthcare facilities that we own or partially own to a TRS, provided that our TRS hires an independent qualifying management company to operate the facility. Under this structure, the independent qualifying management company, which we also refer to as an operator, receives a management fee from our TRS for operating the facility as an independent contractor. As the owner of the facility, we assume most of the operational risk because we lease our facility to our own partially- or wholly-owned subsidiary rather than a third-party operator. We are therefore responsible for any operating deficits incurred by the facility. As of December 31, 2022, we had four eligible independent contractors operating 52 SHOPs (including two land parcels). We may in the future, transition other MOB facilities, which may or may not be experiencing declining performance, to third-party managed facilities using the RIDEA structure, in connection with which they would also transition from our MOB segment to our SHOP segment. There can be no assurance these transitions will improve performance of the properties, and they will also increase our exposure to risks associated with operating in this structure.

The income we generate from SHOPs is subject to a number of operational risks including fluctuations in occupancy levels and resident fee levels, increases in the cost of food, materials, energy, labor (as a result of unionization or otherwise) or other services, rent control regulations, national and regional economic conditions, the imposition of new or increased taxes, capital expenditure requirements, professional and general liability claims, and the availability and cost of professional and general liability insurance. As noted herein, we have experienced declines in occupancy at our SHOPs since the onset of the pandemic. There is no assurance we will be able to mitigate these declines. Further, we rely on the personnel, expertise, technical resources and information systems, proprietary information, good faith and judgment of our operators to set appropriate resident fees, provide accurate property-level financial results for our properties in a timely manner and to otherwise operate our SHOPs in compliance with the terms of our management agreements and all applicable laws and regulations. We also depend on our operators to attract and retain skilled management personnel who are responsible for the day-to-day operations of our SHOPs. A shortage of nurses or other trained personnel or general inflationary pressures have forced the operator to enhance pay and benefit packages to compete effectively for personnel, but it may not be able to offset these added costs by increasing the rates charged to residents. The impact on staffing has resulted in increased turnover amongst staff and greater reliance on staffing agencies, which could have the effect of increased insurance premiums. Any additional increase in labor costs and other property operating expenses, any failure to attract and retain qualified personnel, or significant changes in the operator's senior management or equity ownership could adversely affect the income we receive from our SHOPs.

The tenants of our SHOPs are generally required to be holders of the applicable healthcare licenses for the healthcare services they administer. Any delay in obtaining the license, or failure to obtain one at all, could result in a delay or an inability to collect a significant portion of our revenue from the impacted property. Furthermore, this licensing requirement subjects us (through our ownership interest in our TRS) to various regulatory laws, including those described herein. Most states regulate and inspect healthcare facility operations, patient care, construction and the safety of the physical environment. If one or more of our healthcare real estate facilities fails to comply with applicable laws, our TRS, if it holds the healthcare license and is the entity enrolled in government health care programs, would be subject to penalties including loss or suspension of license, certification or accreditation, exclusion from government healthcare programs such as Medicare or Medicaid, administrative sanctions, civil monetary penalties, and in certain instances, criminal penalties. Additionally, when we receive individually identifiable health information relating to residents of our TRS-operated healthcare facilities, we may be subject to federal and state data privacy and confidentiality laws and rules, and could be subject to liability in the event of an audit, complaint, or data breach. Furthermore, to the extent our TRS holds the healthcare license, it could have exposure to professional liability claims arising out of an alleged breach of the applicable standard of care rules.

Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on the financial condition of co-venturers and disputes between us and our co-venturers.

We have made investments in certain assets through joint ventures and may continue to enter into joint ventures, partnerships and other co-ownership arrangements (including preferred equity investments) in the future. In such event, we may not be in a position to exercise sole decision-making authority regarding the joint venture. Investments in joint ventures may, under certain circumstances, involve risks not present were a third-party not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their required capital contributions. Co-venturers may have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. These investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the co-venturer would have full control over the joint venture. Disputes between us and co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers or directors from focusing their time and effort on our business. Consequently, actions by or disputes with co-venturers might result in subjecting properties owned by the joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our co-venturers.

We may incur costs associated with complying with the Americans with Disabilities Act.

Our properties must also comply with the Americans with Disabilities Act of 1990 (the “Disabilities Act”). Under the Disabilities Act, all places of public accommodation are required to comply with federal requirements related to access and use by disabled persons. The Disabilities Act has separate compliance requirements for “public accommodations” and “commercial facilities” that generally require that buildings and services, including restaurants and retail stores, be made accessible and available to people with disabilities. The Disabilities Act’s requirements could require removal of access barriers and could result in the imposition of injunctive relief, monetary penalties, or, in some cases, an award of damages. A determination that a property does not comply with the Disabilities Act could result in liability for both governmental fines and damages. If we are required to make unanticipated major modifications to any of our properties to comply with the Disabilities Act which are determined not to be the responsibility of our tenants, we could incur unanticipated expenses that could have an adverse impact upon our cash flow.

Net leases may not result in fair market lease rates over time.

Some of our rental income is generated by properties leased to tenants under net leases, which generally provide the tenant greater discretion in using the leased property than ordinary property leases, such as the right to freely sublease the property, to make alterations in the leased premises and to terminate the lease prior to its expiration under specified circumstances. Furthermore, net leases typically have longer lease terms and, thus, there is an increased risk that contractual rental increases in future years will fail to result in fair market rental rates during those years. Moreover, inflation could erode the value of long-term leases that do not contain indexed escalation provisions.

We may be unable to renew leases or re-lease space as leases expire.

We may be unable to renew expiring leases on terms and conditions that are as, or more, favorable as the terms and conditions of the expiring leases. In addition, vacancies may occur at one or more of our properties due to a default by a tenant on its lease or expiration of a lease. Healthcare facilities in general and MOBs in particular tend to be specifically suited for the particular needs of their tenants and major renovations and expenditures may be required in order for us to re-lease vacant space. Vacancies may reduce the value of a property as a result of reduced cash flow generated by the property.

Our properties have been and may continue to be subject to impairment charges.

We periodically evaluate our real estate investments for impairment indicators. The judgment regarding the existence of impairment indicators is based on factors such as market conditions, tenant performance and legal structure. For example, the early termination of, or default under, a lease by a major tenant may lead to an impairment charge. If we determine that an impairment has occurred, we are required to make a downward adjustment to the net carrying value of the property. Impairment charges also indicate a potential permanent adverse change in the fundamental operating characteristics of the impaired property. There is no assurance that these adverse changes will be reversed in the future and the decline in the impaired property’s value could be permanent. We have incurred impairment charges, which have an immediate direct impact on our net income for GAAP purposes, including $27.6 million, during the year ended December 31, 2022. There can be no assurance that we will not take additional charges in the future. Any future impairment could have a material adverse effect on our results in the period in which the charge is taken.

Our real estate investments are relatively illiquid, and therefore we may not be able to dispose of properties when we desire to do so or on favorable terms.

Investments in real properties are relatively illiquid. We may not be able to quickly alter our portfolio or generate capital by selling properties. The real estate market is affected by many factors, such as general economic conditions, the availability of financing, interest rates and other factors, including supply and demand, that are beyond our control. If we need or desire to sell a property or properties, we cannot predict whether we will be able to do so at a price or on the terms and conditions acceptable to us. We cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. Further, we may be required to invest monies to correct defects or to make improvements before a property can be sold. We can make no assurance that we will have funds available to correct these defects or to make these improvements. Moreover, in acquiring a property or incurring debt securing a property, we may agree to restrictions that prohibit the sale of that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These types of provisions restrict our ability to sell a property.

In addition, applicable provisions of the Code impose restrictions on the ability of a REIT to dispose of properties that are not applicable to other types of real estate companies. Thus, we may be unable to realize our investment objectives by selling or otherwise disposing of a property, or refinancing debt secured by the property, at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy.

Geopolitical instability due to the ongoing military conflict between Russia and Ukraine may adversely impact the U.S. and global economies.

On February 24, 2022, Russian troops invaded Ukraine starting a military conflict, the length and breadth of which is highly unpredictable. Coupled with existing supply disruptions and changes in Federal Reserve policies on interest rates, this war has exacerbated, and may continue to exacerbate, inflation and significant volatility in commodity prices, credit and capital markets, as well as supply chain disruptions.

Additionally, the U.S., the European Union, and other countries, as well as other public and private actors and companies have imposed sanctions and other penalties on Russia including removing Russian-based financial institutions from the Society for Worldwide Interbank Financial Telecommunication payment system and restricting imports of Russian oil, liquefied natural gas and coal. These sanctions have caused supply disruptions in the oil and gas markets and could continue to cause significant increases in energy prices, which could have a material effect on inflation and may trigger a recession in the U.S., among other areas. These factors may result in the weakening of the financial condition of or the bankruptcy or insolvency of a significant tenant or a number of smaller tenants, which would adversely impact their ability to pay rents as they come due. As a result, our financial condition and results of operations may be negatively affected since our revenue is largely dependent on the success and economic viability of our tenants.

These and other sanctions that may be imposed as well as the ongoing conflict could further adversely affect the global economy and financial markets and cause further instability, negatively impacting liquidity in the capital markets and potentially making it more difficult for us to access additional debt or equity financing on attractive terms in the future.

In addition, the U.S. government has warned of the potential for Russian cyberattacks. The risk of Russian cyberattacks may also create market volatility and economic uncertainty particularly if these attacks occur and spread to a broad array of countries and networks.

Risks Related to the Healthcare Industry

Our real estate investments are concentrated in healthcare-related facilities, and we may be negatively impacted by adverse trends in the healthcare industry.

We own and seek to acquire a diversified portfolio of healthcare-related assets including MOBs, SHOPs and other healthcare-related facilities. We are subject to risks inherent in concentrating investments in real estate and, in particular, healthcare-related assets. A downturn in the commercial real estate industry generally could significantly adversely affect the value of our properties. A downturn in the healthcare industry could particularly negatively affect our lessees' ability to make lease payments to us and our ability to pay dividends and other distributions to our stockholders. These adverse effects could be more pronounced than if we diversified our investments outside of real estate or if our portfolio did not include a concentration in healthcare-related assets.

Furthermore, the healthcare industry currently is experiencing rapid regulatory changes and uncertainty; changes in the demand for and methods of delivering healthcare services; changes in third-party reimbursement policies; significant unused capacity in certain areas, which has created substantial competition for patients among healthcare providers in those areas; expansion of insurance providers into patient care; continuing pressure by private and governmental payors to reduce payments to providers of services; and increased scrutiny of billing, referral and other practices by federal and state authorities. These factors may adversely affect the economic performance of some or all of our tenants and, in turn, our revenues and cash flows.

Certain of our properties in our MOB Segment may not have efficient alternative uses, so the loss of a tenant may cause us to not be able to find a replacement or cause us to spend considerable capital to adapt the property to an alternative use.

Some of our properties and the properties we will seek to acquire are healthcare-related assets that may only be suitable for similar healthcare-related tenants. If we or our tenants terminate the leases for these properties or our tenants lose their regulatory authority to operate such properties, we may not be able to locate suitable replacement tenants to lease the properties for their specialized uses. Alternatively, we may be required to spend substantial amounts to adapt the properties to other uses.

The healthcare industry is heavily regulated, and new laws or regulations, changes to existing laws or regulations, loss of licensure or failure to obtain licensure could result in the inability of our tenants to make rent payments to us.

The healthcare industry is heavily regulated by federal, state and local governmental bodies. Our tenants and operators generally are subject to laws and regulations covering, among other things, licensure, certification for participation in government programs, relationships with physicians and other referral sources, and the privacy and security of patient health information. Changes in these laws and regulations could negatively affect the ability of our tenants to make lease payments to us. In some states, healthcare facilities are subject to various state CON laws requiring governmental approval prior to the development or expansion of healthcare facilities and services. The approval process in these states generally requires a facility to demonstrate the need for additional or expanded healthcare facilities or services. CONs, where applicable, can also be conditions to regulatory approval of changes in ownership or control of licensed facilities, addition of beds, investment in major capital equipment, introduction of new services, termination of services previously approved through the CON process and other control or operational changes. Many of our medical facilities and their tenants may require a license or CON to operate. Failure to obtain a license or CON, or loss of a required license or CON, would prevent a facility from operating in the manner intended by the tenant and may restrict a tenant's or operator's ability to expand properties and grow the tenant's or operator's business in certain circumstances, which could have an adverse effect on the operator's or tenant's revenues, and in turn, negatively impact their ability to make rental payments under, and otherwise comply with the terms of their leases with us. State CON laws are not uniform throughout the United States and are subject to change. We cannot predict the impact of state CON laws on our improvement of medical facilities or the operations of our tenants and operators. In addition, state CON laws often materially impact the ability of competitors to enter into the marketplace of our facilities. The repeal of CON laws could allow competitors to freely operate in previously closed markets. This could negatively affect the ability of our tenants' to make rental payments to us. In limited circumstances, loss of state licensure or certification or closure of a facility could ultimately result in loss of authority to operate the facility and require new CON authorization to re-institute operations.

Furthermore, uncertainty surrounding the implementation of the Affordable Care Act may adversely affect our tenants. As the primary vehicle for comprehensive healthcare reform in the United States, the Affordable Care Act was designed to reduce the number of individuals in the United States without health insurance and change the ways in which healthcare is organized, delivered and reimbursed. The Affordable Care Act has faced ongoing legal challenges, including litigation seeking to invalidate some or all of the law or the manner in which it has been interpreted. The legal challenges and legislative initiatives to roll back the Affordable Care Act continues and the outcomes are uncertain. In June of 2021, the Supreme Court of the United States for a third time declined to invalidate the Affordable Care Act. There is no assurance that future litigation or legislative initiatives will not attempt to do so. There are no current challenges to the Affordable Care Act but that could change based on the makeup of Congress and presidential administration. The regulatory uncertainty and the potential impact on our tenants could have an adverse material effect on their ability to satisfy their contractual obligations. Further, we are unable to predict the scope of future federal, state and local regulations and legislation, including Medicare and Medicaid statutes and regulations or judicial decisions, or the intensity of enforcement efforts with respect to such regulations and legislation, and any changes in the regulatory or judicial framework may have a material adverse effect on our tenants.

Health insurance coverage under the Affordable Care Act is likely going to continue to expand 2023. However, the repeal of the individual mandate penalty included in the Tax Cuts and Jobs Act of 2017, recent actions to increase the availability of insurance policies that do not include Affordable Care Act minimum benefit standards, and support for Medicaid work requirements will likely impact the market. Accordingly, current and future payments under federal and state healthcare programs may not be sufficient to sustain a facility's operations, which could adversely affect its ability to satisfy its contractual obligations, including making rental payments under, and otherwise complying with the terms of, the facility's leases and other agreements with us. These risks could be mitigated by our limited participation in governmental-sponsored payor programs.

The Affordable Care Act includes program integrity provisions that both create new authorities and expand existing authorities for federal and state governments to address fraud, waste and abuse in federal health programs. In addition, the Affordable Care Act expands reporting requirements and responsibilities related to facility ownership and management, patient safety and care quality. In the ordinary course of their businesses, our tenants and operators may be regularly subjected to inquiries, investigations and audits by federal and state agencies that oversee these laws and regulations. If they do not comply with the additional reporting requirements and responsibilities, the ability of our tenants' to participate in federal health programs may be adversely affected. Moreover, there may be other comprehensive healthcare reform legislation, which, depending on how they are implemented, could materially and adversely affect our operators.

The Affordable Care Act also requires the reporting and return of overpayments. Healthcare providers that fail to report and return an overpayment could face potential liability under the FCA and the CMPL and exclusion from federal healthcare programs. Accordingly, if our tenants fail to comply with the Affordable Care Act's requirements, they may be subject to significant monetary penalties and excluded from participation in Medicare and Medicaid, which could materially and adversely affect their ability to pay rent and satisfy other financial obligations to us.

Reductions or changes in reimbursement from third-party payors, including Medicare and Medicaid, or delays in receiving these reimbursements, could adversely affect the profitability of our tenants and operators and hinder their ability to make rent payments to us.

Our tenants and operators may receive payments from the federal Medicare program, state Medicaid programs, private insurance carriers and health maintenance organizations, among others. Efforts by such payors to reduce healthcare costs have intensified in recent years and will likely continue, which may result in reductions or slower growth in reimbursement for certain services provided by some of our tenants and operators. The Medicare and Medicaid programs have adopted a variety of initiatives which have been incorporated and expanded by private insurance carriers, including health maintenance organizations and other health plans, to extract greater discounts and impose more stringent cost controls upon healthcare provider operations. Examples include, but are not limited to, changes in reimbursement rates and methodologies, such as bundled payments, capitation payments and discounted fee structures. As a result, our tenants and operators may face significant limits on the reimbursed and on reimbursement rates and fees. All of these changes could impact the ability of our tenants' to pay rent or our operator's ability to meet their obligations to us. In addition, tenants and operators in certain states have experienced delays; some of which are, have been, and may be late in receiving reimbursements, which have adversely affected their ability to make rent payments to us. Further, failure of any of our tenants or operators to comply with various laws and regulations could jeopardize their ability to continue participating in Medicare, Medicaid and other government-sponsored payment programs.

The healthcare industry continues to face various challenges, including increased government and private payor pressure on healthcare providers to control or reduce costs. Coverage expansions under the Affordable Care Act through the Medicaid expansion and health insurance exchanges may be scaled back or eliminated in the future due to ongoing legal challenges and the future status of the Affordable Care Act is unknown. We cannot ensure that of our tenants or operators who currently depend on governmental or private payer reimbursement will be adequately reimbursed for the services they provide.

Any slowdown in the United States economy can negatively affect state budgets, thereby putting pressure on states to decrease spending on state programs including Medicaid. The need to control Medicaid expenditures may be exacerbated by the potential for increased enrollment in state Medicaid programs due to unemployment and declines in family incomes. Historically, some states have attempted to reduce Medicaid spending by limiting benefits and tightening Medicaid eligibility requirements. Potential reductions to Medicaid program spending in response to state budgetary pressures could negatively impact the ability of our tenants and operators to successfully operate their businesses.

Our tenants and operators may continue to experience a shift in payor mix away from fee-for-service payors, resulting in an increase in the percentage of revenues attributable to managed care payors, and general industry trends that include pressures to control healthcare costs. In addition, some of our tenants and operators may be subject to value-based purchasing programs, which base reimbursement on the quality and efficiency of care provided by facilities and require the public reporting of quality data and preventable adverse events to receive full reimbursement. Pressures to control healthcare costs and a shift away from traditional health insurance reimbursement to managed care plans have resulted in an increase in the number of patients whose healthcare coverage is provided under managed care plans, such as health maintenance organizations and preferred provider organizations. Medicare Access and CHIP Reauthorization Act ("MACRA") has also established a new payment framework, which modified certain Medicare payments to eligible clinicians, representing a fundamental change to physician reimbursement. These changes could have a material adverse effect on the financial condition of some or all of our tenants in our properties. The financial impact on our tenants could restrict their ability to make rent payments to us.

Required regulatory approvals can delay or prohibit transfers of our healthcare facilities.

Transfers of healthcare facilities to successor tenants and/or operators are typically subject to regulatory approvals or ratifications, including, but not limited to, change of ownership approvals, zoning approvals, and Medicare and Medicaid provider arrangements that are either not required, or enjoy reduced requirements, in connection with transfers of other types of commercial operations and other types of real estate. The replacement of any tenant and/or operator could be delayed by the regulatory approval process of any federal, state or local government agency necessary for the transfer of the facility or the replacement of the tenant or, if applicable, operator, licensed to operate the facility. If we are unable to find a suitable replacement tenant or operator upon favorable terms, or at all, we may take possession of a facility, which could expose us to successor liability, require us to indemnify subsequent entities to whom we transfer the operating rights and licenses, or require us to spend substantial time and funds to preserve the value of the property and adapt the facility to other use. Furthermore, transitioning to a new tenant and/or operator could cause disruptions at the operations of the properties and, if there is a delay in the new tenant or operator obtaining its ability to receive reimbursement from third-party payors.

A reduction in Medicare payment rates for skilled nursing facilities may have an adverse effect on the Medicare reimbursements received by one of our tenants.

Several government initiatives have resulted in reductions in funding of the Medicare and Medicaid programs and additional changes in reimbursement regulations by the Centers for Medicare & Medicaid Services ("CMS"), contributing to pressure to contain healthcare costs and additional operational requirements, which may impact the ability of our tenant to make rent payments to us. The Medicare and Medicaid programs have adopted a variety of initiatives which have been incorporated and expanded by private insurance carriers, including health maintenance organizations and other health plans, to extract greater discounts and impose more stringent cost controls upon healthcare provider operations. As a result, our tenant may face reductions in reimbursement rates and fees. A delay in receiving reimbursements could adversely affect its ability to make rent payments to us. Similar delays, or reductions in reimbursements, may continue to impose financial and operational challenges for our tenants and tenant, which may affect its ability to make contractual payments to us. These risks could be mitigated by our limited participation in government-sponsored payor programs.

There have been numerous initiatives on the federal and state levels for comprehensive reforms affecting the payment for, and availability of, healthcare services. We may own and acquire skilled nursing facility assets that rely on revenue from Medicaid or Medicare. Our one SNF has, and may continue to experience, limited increases or reductions in Medicare payments and aspects of certain of these government initiatives, such as further reductions in funding of the Medicare and Medicaid programs, additional changes in reimbursement regulations by CMS, enhanced pressure to contain healthcare costs by Medicare, Medicaid and other payors, and additional operational requirements may adversely affect their ability to make rental payments. For example, CMS is focused on reducing what it considers to be payment errors by identifying, reporting, and implementing actions to reduce payment error vulnerabilities.

In addition, CMS is currently in the midst of transitioning Medicare from traditional fee for service reimbursement models to a capitated system, which means medical providers are given a set fee per patient regardless of treatment required, and value-based and bundled payment approaches, where the government pays a set amount for each beneficiary for a defined period of time, based on that person's underlying medical needs, rather than based on the actual services provided. Providers and facilities are increasing responsible to care for and be financially responsible for certain populations of patients under the population health models and this shift in patient management paradigm is creating and will continue to create unprecedented challenges for providers and impact their ability to pay rent to us.

Certain of our facilities may be subject to pre- and post-payment reviews and audits by governmental authorities, which could result in recoupments, denials or delay of payments and could adversely affect the profitability of our tenants and operators.

Certain of our facilities may be subject to periodic pre- and post-payment reviews and audits by governmental authorities. If the review or audit shows a facility is not in compliance with federal and state requirements, previous payments to the facility may be recouped and future payments may be denied or delayed. Recoupments, denials or delay of payments could adversely affect the profitability of our tenants and hinder their ability to make rent payments to us and the ability of our operators to satisfy their ongoing contractual obligations.

Events that adversely affect the ability of seniors and their families to afford daily resident fees at our SHOPs could cause our occupancy rates and resident fee revenues to decline.

Assisted and independent living services generally are not reimbursable under as Medicare and our facilities have limited participation in Medicaid. Most of the resident fee revenues generated by our SHOPs, therefore, are derived from private pay sources consisting of the income or assets of residents or their family members. The rates for these residents are set by the facilities based on local market conditions and operating costs. In light of the significant expense associated with building new properties and staffing and other costs of providing services, typically only seniors with income or assets that meet or exceed the comparable region median can afford the daily resident and care fees at our SHOPs. A weak economy, depressed housing market or changes in demographics could adversely affect their continued ability to do so. If the operators of our SHOPs are unable to attract and retain seniors that have sufficient income, assets or other resources to pay the fees associated with assisted and independent living services, the occupancy rates, resident fee revenues and results of operations of our SHOPs could decline.

Residents in our SHOPs may terminate leases.

State regulations generally require assisted living communities to have a written lease agreement with each resident that permits the resident to terminate his or her lease for any reason on reasonable notice, unlike typical apartment lease agreements that have initial terms of one year or longer. Due to these lease termination rights and the advanced age of the residents, the resident turnover rate in our SHOPs may be difficult to predict. A large number of resident lease agreements may terminate at or around the same time, and the affected units may remain unoccupied.

Some tenants and operators of our healthcare-related assets must comply with fraud and abuse laws, the violation of which by either may jeopardize the tenant's ability to make rent payments to us.

There are various federal and state laws prohibiting fraudulent and abusive business practices by healthcare providers who participate in, receive payments from or are in a position to make referrals in connection with government-sponsored healthcare programs, including the Medicare and Medicaid programs.

Our lease arrangements with certain tenants and our management agreements with certain operators may also be subject to these fraud and abuse laws. These laws include the Federal Anti-Kickback Statute, which prohibits, among other things, the knowing and willful offer, payment, solicitation or receipt of any form of remuneration in return for, or to induce, the referral of any item or service reimbursed by Medicare or Medicaid; the Federal Physician Self-Referral Prohibition (commonly referred to as the "Stark Law"), which, subject to specific exceptions, restricts physicians from making referrals for specifically designated health services for which payment may be made under Medicare or Medicaid programs to an entity with which the physician, or an immediate family member, has a financial relationship; the FCA, which prohibits any person from knowingly presenting false or fraudulent claims for payment to the federal government, including claims paid by the Medicare and Medicaid programs; and the CMPL, which authorizes the U.S. Department of Health and Human Services to impose monetary penalties for certain fraudulent acts. Additionally, some states may have laws similar to the Federal Anti-Kickback Statute and the Stark Law expanding their respective prohibitions to private insurance.

Each of these laws includes substantial criminal or civil penalties for violations that range from punitive sanctions, damage assessments, penalties, imprisonment, denial of Medicare and Medicaid payments or exclusion from the Medicare and Medicaid programs. Certain laws, such as the FCA, allow for individuals to bring whistleblower actions on behalf of the government for violations thereof. Individuals have tremendous potential financial gain in bringing whistleblower claims as the FCA statute provides that the individual will receive between 15% and 30% of the money recouped. Additionally, violations of the FCA can result in treble damages. Significant enforcement activity has been the result of actions brought by these individuals. Additionally, certain states in which the facilities are located also have similar fraud and abuse laws. Federal and state adoption and enforcement of such laws increase the regulatory burden and costs, and potential liability, of healthcare providers. Investigation by a federal or state governmental body for violation of fraud and abuse laws, and these state laws have their own penalties which may be in additional to federal penalties.

Investigation by a federal or state governmental body for violation of fraud and abuse laws or imposition of any of these penalties upon one of our tenants could jeopardize that tenant's and operator's business, reputation, and ability to operate or to make rent payments. Increased funding for investigation and enforcement efforts, accompanied by an increased pressure to eliminate government waste, has led to a significant increase in the number of investigations and enforcement actions over the past several years, a trend which is not anticipated to decrease considerably.

Tenants and operators of our healthcare-related assets may be subject to significant legal actions that could subject them to increased operating costs and substantial uninsured liabilities, which may affect their ability to pay their rent payments to us.

As is typical in the healthcare industry, certain types of tenants and operators of our healthcare-related assets may often become subject to claims that their services have resulted in patient injury or other adverse effects. The insurance coverage maintained by these tenants and operators may not cover all claims made against them or continue to be available at a reasonable cost, if at all. In some states, insurance coverage for the risk of punitive damages arising from professional liability and general liability claims or litigation may not, in certain cases, be available to these tenants due to state law prohibitions or limitations of availability. As a result, these types of tenants and operators operating in these states may be liable for punitive damage awards that are either not covered or are in excess of their insurance policy limits. Recently, there has been an increase in governmental investigations of certain healthcare providers, particularly in the area of Medicare and Medicaid false claims, as well as an increase in enforcement actions resulting from these investigations. Insurance may not be available to cover such losses. Any adverse determination in a legal proceeding or governmental investigation, whether currently asserted or arising in the future, could have a material adverse effect on a tenant's or operator's financial condition. If a tenant or operator is unable to obtain or maintain insurance coverage, if judgments are obtained in excess of the insurance coverage, if a tenant or operator is required to pay uninsured punitive damages, or if a tenant or operator is subject to an uninsurable government enforcement action, the tenant could be exposed to substantial additional liabilities, which may affect the tenant's or operator's business, operations and the tenant's ability to pay rent to us.

We may experience adverse effects as a result of potential financial and operational challenges faced by the tenants and operators of any seniors housing facilities and skilled nursing facilities we own or acquire.

Tenants and operators of any seniors housing facilities and skilled nursing facilities may face operational challenges from potentially reduced revenue streams and increased demands on their existing financial resources. The resources of our skilled nursing units are primarily derived from government-funded reimbursement programs, such as Medicare and Medicaid. Accordingly, our one SNF and limited assisted living facilities that participate in Medicaid could be subject to the potential negative effects of decreased reimbursement rates or other changes in reimbursement policy or programs offered through such reimbursement programs. Revenue may also be adversely affected as a result of falling occupancy rates or slow lease-ups for assisted and independent living facilities due to various factors, including the ongoing COVID-19 pandemic and its related effects. In addition, our facility operators may incur additional demands on their existing financial resources as a result of increases in seniors housing facility operator liability, insurance premiums and other operational expenses, which is worsened by the nationwide staffing shortage. The economic deterioration of a tenant or operator could cause such operator to file for bankruptcy protection. The bankruptcy or insolvency of a tenant or operator may adversely affect the income produced by the property or properties it operates.

The performance and economic condition of our tenant and operators may be negatively affected if they fail to comply with various complex federal and state laws that govern a wide array of referrals, relationships and licensure requirements in the senior healthcare industry. The violation of any of these laws or regulations by a seniors housing facility tenant or operator may result in the imposition of fines or other penalties that could jeopardize that tenant's or operator's ability to make payments to us or to continue operating its facility. In addition, legislative proposals are commonly being introduced or proposed in federal and state legislatures that could affect major changes in the seniors housing sector, either nationally or at the state level. Any such legislation could materially impact our tenant or operators in an adverse fashion.

We may change our targeted investments without stockholder consent.

We have acquired and expect to continue to acquire a diversified portfolio of healthcare-related assets including MOBs, SHOPs and other healthcare-related facilities. However, the board may change our investment policies in its sole discretion. We may change our targeted investments and investment guidelines at any time without the consent of our stockholders, which could result in our making investments that are different from, and possibly riskier than, initially anticipated by increasing our exposure to, among other things, interest rate risk, default risk and real estate market fluctuations.

If we internalize our management functions, we would be required to pay a transition fee and would not have the right to retain our management or personnel.

We may engage in an internalization transaction and become self-managed in the future. If we internalize our management functions, under the terms of our advisory agreement we would be required to pay a transition fee to our Advisor upon termination of the advisory agreement in connection with an internalization that could be up to 4.5 times the compensation paid to our Advisor in the previous year, plus expenses. We also would not have any right to retain our executive officers or other personnel of our Advisor who currently manage our day-to-day operations. An inability to manage an internalization transaction effectively could thus result in our incurring excess costs and suffering deficiencies in our disclosure controls and procedures or our internal control over financial reporting. These deficiencies could cause us to incur additional costs, and our management's attention could be diverted from most effectively managing our investments, which could result in litigation and resulting associated costs in connection with the internalization transaction.

We may terminate our advisory agreement in only limited circumstances, which may require payment of a termination fee.

We have limited rights to terminate our Advisor. The initial term of our advisory agreement expires on February 16, 2027, but is automatically renewed upon expiration for consecutive ten-year terms unless notice of termination is provided by either party 365 days in advance of the expiration of the term. Further, we may terminate the agreement only under limited circumstances. In the event of a termination in connection with a change in control of us, we would be required to pay a termination fee that could be up to four times the compensation paid to our Advisor in the previous year, plus expenses. The limited termination rights will make it difficult for us to renegotiate the terms of the advisory agreement or replace our Advisor even if the terms of the advisory agreement are no longer consistent with the terms generally available to externally-managed REITs for similar services.

Our business and operations could suffer if our Advisor or any other party that provides us with services essential to our operations experiences system failures or cyber incidents or a deficiency in cybersecurity.

The internal information technology networks and related systems of our Advisor and other parties that provide us with services essential to our operations (including our tenants, operators, and other third-party operators of our healthcare facilities) are vulnerable to damage from any number of sources, including computer viruses, unauthorized access, energy blackouts, natural disasters, terrorism, war and telecommunication failures. Any system failure or accident that causes interruptions in our operations could result in a material disruption to our business. We may also incur additional costs to remedy damages caused by these disruptions.

As reliance on technology has increased, so have the risks posed to those systems. Our Advisor and other parties that provide us with services essential to our operations must continuously monitor and develop their networks and information technology to prevent, detect, address and mitigate the risk of unauthorized access, misuse, computer viruses, and social engineering, such as phishing. Our Advisor is continuously working, including with the aid of third-party service providers, to install new, and to upgrade existing, network and information technology systems, to create processes for risk assessment, testing, prioritization, remediation, risk acceptance, and reporting, and to provide awareness training around phishing, malware and other cyber risks to ensure that our Advisor and other parties that provide us with services essential to our operations are protected against cyber risks and security breaches and that we are also therefore so protected. However, these upgrades, processes, new technology and training may not be sufficient to protect us from all risks. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques and technologies used in attempted attacks and intrusions evolve and generally are not recognized until launched against a target. In some cases, attempted attacks and intrusions are designed not to be detected and, in fact, may not be detected.

The remediation costs and lost revenues experienced by a subject of an intentional cyberattack or other event which results in unauthorized third-party access to systems to disrupt operations, corrupt data or steal confidential information may be significant and significant resources may be required to repair system damage, protect against the threat of future security breaches or to alleviate problems, including reputational harm, loss of revenues and litigation, caused by any breaches. Additionally, any failure to adequately protect against unauthorized or unlawful processing of personal data, or to take appropriate action in cases of infringement may result in significant penalties under privacy law.

Furthermore, a security breach or other significant disruption involving the information technology networks and related systems of our Advisor or any other party that provides us with services essential to our operations could:

- result in misstated financial reports, violations of loan covenants, missed reporting deadlines or missed permitting deadlines;
- affect our ability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT;
- result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of, proprietary, confidential, sensitive or otherwise valuable information (including information about our tenant operators and other third-party operators of our healthcare facilities, as well as the patients or residents at those facilities), which others could use to compete against us or for disruptive, destructive or otherwise harmful purposes and outcomes;
- result in our inability to maintain the building systems relied upon by our tenants for the efficient use of their leased space;
- require significant management attention and resources to remedy any damages that result;
- subject us to claims for breach of contract, damages, credits, penalties or termination of leases or other agreements; or
- adversely impact our reputation among our tenants, operators and investors generally.

Although our Advisor and other parties that provide us with services essential to our operations intend to continue to implement industry-standard security measures, there can be no assurance that those measures will be sufficient, and any material adverse effect experienced by our Advisor and other parties that provide us with services essential to our operations could, in turn, have an adverse impact on us.

We depend on our Advisor and Property Manager to provide us with executive officers, key personnel and all services required for us to conduct our operations and our operating performance may be impacted by any adverse changes in the financial health or reputation of our Advisor.

We have no employees. Personnel and services that we require are provided to us under contracts with our Advisor and its affiliates including our Property Manager. We depend on our Advisor and our Property Manager to manage our operations and acquire and manage certain of our real estate assets. Our Advisor makes all decisions with respect to the management of our company, subject to the supervision of, and any guidelines established by, the board.

Our success depends to a significant degree upon the contributions of our executive officers and other key personnel of our Advisor and its affiliates, including Edward M. Weil, Jr., our chief executive officer, and Scott Lappetito, our chief financial officer, treasurer and secretary. Neither our Advisor nor any of its affiliates has an employment agreement with these key personnel and we cannot guarantee that all, or any particular one, of these individuals will remain employed by our Advisor or one of its affiliates and otherwise available to continue to perform services for us. Further, we do not maintain key person life insurance on any person. We believe that our success depends, in large part, upon the ability of our Advisor to hire, retain or contract for services of highly skilled managerial, operational and marketing personnel. Competition for skilled personnel is intense, and there can be no assurance that our Advisor will be successful in attracting and retaining skilled personnel. If our Advisor loses or is unable to obtain the services of skilled personnel due to, among other things, an overall labor shortage, lack of skilled labor, increased turnover or labor inflation, our Advisor's ability to manage our business and implement our investment strategies could be delayed or hindered.

Any adverse changes in the financial condition or financial health of, or our relationship with, our Advisor or Property Manager, including any change resulting from an adverse outcome in any litigation could hinder their ability to successfully manage our operations and our investments. Additionally, changes in ownership or management practices, the occurrence of adverse events affecting our Advisor or its affiliates or other companies advised by our Advisor or its affiliates could create adverse publicity and adversely affect us and our relationship with lenders, tenants, operators or counterparties.

We may in the future acquire or originate real estate debt or invest in real estate-related securities issued by real estate market participants, which would expose us to additional risks.

We may in the future acquire or originate first mortgage debt loans, mezzanine loans, preferred equity or securitized loans, CMBS, preferred equity and other higher-yielding structured debt and equity investments. Doing so would expose us not only to the risks and uncertainties we are currently exposed to through our direct investments in real estate but also to additional risks and uncertainties attendant to investing in and holding these types of investments, such as:

- risk of defaults by borrowers in paying debt service on outstanding indebtedness and to other impairments of our loans and investments;
- increased competition from entities engaged in mortgage lending and, or investing in our target assets;
- deterioration in the performance of properties securing our investments may cause deterioration in the performance of our investments and, potentially, principal losses to us;
- fluctuations in interest rates and credit spreads could reduce our ability to generate income on our loans and other investments;
- difficulty in redeploying the proceeds from repayments of our existing loans and investments;
- the illiquidity of certain of these investments;
- lack of control over certain of our loans and investments;
- the potential need to foreclose on certain of the loans we originate or acquire, which could result in losses;
- additional risks, including the risks of the securitization process, posed by investments in CMBS and other similar structured finance investments, as well as those we structure, sponsor or arrange; use of leverage may create a mismatch with the duration and interest rate of the investments that we finance;
- risks related to the operating performance or trading price volatility of any publicly-traded and private companies primarily engaged in real estate businesses we invest in; and
- the need to structure, select and more closely monitor our investments such that we continue to maintain our qualification as a REIT and our exemption from registration under the Investment Company Act of 1940, as amended.

Risks Related to our Indebtedness

Our level of indebtedness may increase our business risks.

As of December 31, 2022, we had total outstanding indebtedness of $1.1 billion. We may incur additional indebtedness in the future for various purposes. The amount of our indebtedness could have material adverse consequences for us, including:

- hindering our ability to adjust to changing market, industry or economic conditions;
- limiting our ability to access the capital markets to raise additional equity or debt on favorable terms or at all, whether to refinance maturing debt, to fund acquisitions, to fund dividends and other distributions or for other corporate purposes;
- limiting the amount of free cash flow available for future operations, acquisitions, dividends and other distributions, stock repurchases or other uses; and
- making us more vulnerable to economic or industry downturns, including interest rate increases.

In most instances, we acquire real properties by using either existing financing or borrowing new funds. We may incur debt and pledge the underlying property as security for that debt to obtain funds to acquire additional properties or for other corporate purposes. We may also borrow if we need funds to satisfy the REIT tax qualification requirement that we generally distribute annually to our stockholders at least 90% of our REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding any net capital gain. We also may borrow if we otherwise deem it necessary or advisable to assure that we maintain our qualification as a REIT.

If there is a shortfall between the cash flow from a property and the cash flow needed to service mortgage debt on that property, especially if we acquire the property when it is being developed or under construction, we may use additional borrowings to fund the shortfall. Using debt increases the risk of loss because defaults on indebtedness secured by a property may result in lenders initiating foreclosure actions. In that case, we could lose the property securing the loan that is in default. For U.S. federal income tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds. In this event, we may be unable to pay the amount of distributions required in order to maintain our REIT status. We may also fully or partially guarantee mortgage debt incurred by the subsidiary entities that own our properties. In those cases, we will be responsible to the lender for repaying the debt if it is not paid by the entity. In the case of mortgages containing cross-collateralization or cross-default provisions, a default on a single mortgage could affect multiple properties.

Our Credit Facility contains various covenants that may restrict our ability to take certain actions and may restrict our ability to use our cash and make investments.

Our Credit Facility contains various covenants that may restrict our ability to take certain actions. For example, we may not pay distributions to holders of common stock in cash or make any other cash distributions (including repurchases of shares of our common stock) on our common stock until we meet certain requirements. We may, however, pay dividends on the Series A Preferred Stock and Series B Preferred Stock, or any other preferred stock we may issue and any cash distributions necessary to maintain our status as a REIT. The restrictions on paying cash distributions will no longer apply starting in the quarter in which we make an election and, as of the day prior to the commencement of the applicable quarter, we have a combination of cash, cash equivalents and availability for future borrowings under the Revolving Credit Facility totaling at least $100.0 million, giving effect to the aggregate amount of distributions projected to be paid by us during the applicable quarter, our ratio of consolidated total indebtedness to consolidated total asset value (expressed as a percentage) is less than 62.5%, and our Fixed Charge Coverage Ratio is not less than 1.50 to 1.00 for the most recently ended four fiscal quarters. There can be no assurance as to if, or when, we will be able to satisfy these conditions. Moreover, we will only be permitted to pay cash distributions if the aggregate distributions (as defined in the Credit Facility and including dividends on Series A Preferred Stock, Series B Preferred Stock or any other class of preferred stock that may be issued) for any period of four fiscal quarters do not exceed 95% of Modified FFO (as defined in the Credit Facility) for the same period based only on fiscal quarters after we make the election and begin paying distributions.

The lenders have reduced the covenant requiring a minimum ratio of adjusted consolidated EBITDA to consolidated fixed charges based on the four most recently ended fiscal quarters, from 1.50:1.00 to (a) 1.20:1.00 for the period that commenced with the quarter ended June 30, 2022 through the quarter ending June 30, 2023, (b) 1.35:1.00 for the period commencing with the quarter ending September 30, 2023 through the quarter ending December 31, 2023 and (c) 1.45:1.00 for the period commencing with the quarter ending March 31, 2024 and continuing thereafter; provided, however, that from and after the Commencement Quarter, we must satisfy a minimum Fixed Charge Coverage Ratio of 1.50:1.00. Prospectively, based upon our current expectations, we believe our operating results through June 30, 2023 will allow us to comply with these covenants. However, we believe our operating results may not be sufficient to comply with the increased Fixed Charge Coverage Ratio, which increases from 1.20:1.00 to 1.35:1.00 commencing with the quarter ending September 30, 2023 and thereafter. Absent a waiver or modification from the lender group, failure to comply with the Fixed Charge Coverage Ratio would constitute an Event of Default and the balance of the Credit Facility would be due and payable. We have obtained such waivers and modifications from the lender group in the past, but there can be no assurance that such a waiver or modification will be granted in future periods.

Covenants in our Credit Facility also require us to maintain a combination of cash, cash equivalents and availability for future borrowings under our Revolving Credit Facility totaling at least $50.0 million. As of December 31, 2022, we had $53.7 million of cash and cash equivalents, and $203.4 million was available for future borrowings under our Revolving Credit Facility. Our Credit Facility also restricts how we may use our sources of liquidity. Certain restrictions and conditions contained in the Credit Facility will no longer apply starting in the quarter in which we make an election as, as of the day prior to the commencement of the applicable quarter we have a combination of cash, cash equivalents and availability for future borrowings under the Revolving Credit Facility totaling at least $100.0 million, giving effect to the aggregate amount of distributions projected to be paid by us during the applicable quarter, our ratio of consolidated total indebtedness to consolidated total asset value (expressed as a percentage) is less than 62.5% and, as revised by the Fourth Amendment, our Fixed Charge Coverage Ratio is not less than 1.50 to 1.00 for the most recently ended four fiscal quarters (the "Commencement Quarter"). The fiscal quarter ended June 30, 2021 was the first quarter that could have been the Commencement Quarter. We did not satisfy the conditions during the quarter ended December 31, 2022 in order to elect the quarter ending March 31, 2023 as the Commencement Quarter. There can be no assurance as to if, or when, we will, or will be able to, elect the Commencement Quarter, including to the extent we may be unable to satisfy these conditions in future periods. Until the first day of the Commencement Quarter, we must use all of the net cash proceeds from any capital event (such as an asset sale, financing or equity issuance) to repay amounts outstanding under the Revolving Credit Facility, to the extent there are any such amounts outstanding. We may borrow additional amounts if all relevant conditions are met, including sufficient availability for future borrowings. There can be no assurance these conditions will be met.

The availability for future borrowings under the Credit Facility is calculated using the adjusted net operating income of the real estate assets comprising the borrowing base, and availability has been, and may continue to be, adversely affected by the decreases in net operating income at the properties comprising the borrowing base from the use of contract labor for care providers and, to a lesser extent, the amount we pay in overtime wages and bonuses. In connection with the Fourth Amendment, the borrowing base advance rate was reduced from 55% to 52.5% (until we elect the Commencement Quarter, after which the borrowing base advance rate would revert back to 55%), which may also impact our availability. Our ability to increase the amount of cash we generate from property operations depends on a variety of factors as well as our ability to complete acquisitions of new properties on favorable terms and our ability to improve operations at our existing properties. There can be no assurance that we will complete acquisitions on a timely basis or on favorable terms and conditions, if at all, particularly if we do not have a source of capital available that will allow us to do so. Our ability to improve operations at our existing properties is also subject to a variety of risks and uncertainties, many of which are beyond our control, and there can be no assurance we will be successful in achieving this objective. Because shares of common stock are only offered and sold pursuant to our distribution reinvestment plan ("DRIP") in connection with the reinvestment of distributions paid in cash, participants in the DRIP will not be able to reinvest in shares thereunder for so long as we pay distributions in stock instead of cash, so this source of capital will not be available unless and until we are able to resume paying cash distributions on our common stock. There is also no assurance that participation in the DRIP will be maintained at current or higher levels if the DRIP becomes a source of capital in the future.

Other financing arrangements have restrictive covenants.

The agreements governing our borrowings contain provisions that affect or restrict our policies regarding dividends and other distributions and our operations, require us to satisfy financial coverage ratios, and may restrict our ability to, among other things, incur additional indebtedness, make certain investments, replace our Advisor, discontinue insurance coverage, merge with another company, and create, incur or assume liens. These or other limitations may adversely affect our flexibility and our ability to achieve our investment and operating objectives.

Changes in the debt markets could have a material adverse impact on our earnings and financial condition.

The commercial real estate debt markets are subject to volatility, resulting in, from time to time, the tightening of underwriting standards by lenders and credit rating agencies and reductions in the availability of financing. For example, recent credit and capital market conditions have been characterized by volatility and a tightening of credit standards. This may impact our ability to access capital on favorable terms, in a timely manner, or at all, which could make obtaining funding for our capital needs more challenging or expensive. We also face a heightened level of interest rate risk as the U.S. Federal Reserve Board tapers its quantitative easing program and raises interest rates. All of these actions will likely lead to increases in borrowing costs.

If our overall cost of borrowings continue to increase, either due to increases in the index rates or due to increases in lender spreads, we will need to factor such increases into pricing and projected returns for any future acquisitions. This may result in future acquisitions generating lower overall economic returns. Volatility in the debt markets, may negatively impact our ability to borrow monies to finance the purchase of, or other activities related to, our real estate assets may be negatively impacted. If we are unable to borrow monies on terms and conditions that we find acceptable, our ability to purchase properties and meet other capital requirements may be limited, and the return on the properties we do purchase may be lower. In addition, we may find it difficult, costly or impossible to refinance maturing indebtedness.

Furthermore, the state of the debt markets could have an impact on the overall amount of capital being invested in real estate, which may result in price or value decreases of real estate assets and could negatively impact the value of our assets.

Increases in interest rates may make it difficult for us to finance or refinance indebtedness secured by our properties.

We have borrowed, and may continue to borrow monies, secured and unsecured by our properties. Increases in interest rates may adversely impact our ability to refinance our indebtedness, including the indebtedness secured by our properties, as the loans come due or we otherwise desire to do so on favorable terms, or at all. If interest rates are higher when the indebtedness is refinanced, we may not be able to refinance indebtedness secured by the properties and we may be required to obtain equity to repay the loan or to increase the collateral for the loan.

Increasing interest rates could increase the amount of our debt payments and we may be adversely affected by uncertainty surrounding the LIBOR.

We have incurred, and may continue to incur, variable-rate debt. Increases in interest rates on our variable-rate debt would increase our interest cost.

We have mortgages, credit facilities and derivative agreements that have terms that are based on the London Interbank Offered Rate ("LIBOR"). As of December 31, 2022, we have nine designated interest rate swaps with a notional amount of $578.5 million, which effectively fixes a portion of our variable-rate debt. In July 2017, the Financial Conduct Authority (the authority that regulates LIBOR) announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. As a result, the Federal Reserve Board and the Federal Reserve Bank of New York organized the Alternative Reference Rates Committee which identified the Secured Overnight Financing Rate ("SOFR") as its preferred alternative to LIBOR in derivatives and other financial contracts. They ceased publishing the one-week and two-month USD LIBOR settings effective December 31, 2021. The remaining USD LIBOR settings, including the USD LIBOR rates currently relevant to us, will continue to be published through June 30, 2023. We are monitoring and evaluating the risks related to changes in LIBOR availability, which include potential changes in interest paid on debt and amounts received and paid on interest rate swaps. In addition, the value of debt or derivative instruments tied to LIBOR will also be impacted as LIBOR is limited and discontinued and contracts must be transitioned to a new alternative rate. In some instances, transitioning to an alternative rate may require negotiation with lenders and other counterparties and could present challenges. Certain of our agreements that have terms that are based on LIBOR have alternative rates already contained in the agreements while others do not. We anticipate that we will either utilize the alternative rates contained in the agreements or negotiate a replacement reference rate for LIBOR with the lenders and derivative counterparties. The consequences of these developments cannot be entirely predicted and could include an increase in the cost of our variable rate debt. The consequences of these developments cannot be entirely predicted and could include an increase in the cost of our variable rate indebtedness.

Any hedging strategies we utilize may not be successful in mitigating our risks.

We have and may continue to enter into hedging transactions to manage risk of interest rate changes, price changes or currency fluctuations with respect to borrowings made or to be made to acquire or own real estate assets. To the extent that we use derivative financial instruments, we will be exposed to credit, basis and legal enforceability risks. Derivative financial instruments may include interest rate swap contracts, interest rate cap or floor contracts, futures or forward contracts, options or repurchase agreements. In this context, credit risk is the failure of the counterparty to perform under the terms of the derivative contract. If the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. Basis risk occurs when the index upon which the contract is based is more or less variable than the index upon which the hedged asset or liability is based, thereby making the hedge less effective. Finally, legal enforceability risks encompass general contractual risks, including the risk that the counterparty will breach the terms of, or fail to perform its obligations under, the derivative contract.

Risks Related to Conflicts of Interest

Our Advisor faces conflicts of interest relating to the purchase and leasing of properties and these conflicts may not be resolved in our favor, which could adversely affect our investment opportunities.

We rely on our Advisor and its executive officers and other key real estate professionals at our Advisor and our Property Manager to identify suitable investment opportunities for us. Several of these individuals are also executive officers or key real estate professionals at AR Global and other entities advised by affiliates of AR Global. Many investment opportunities that are suitable for us may also be suitable for other entities advised by affiliates of AR Global. We do not have any agreements with any of these entities that govern the allocation of investment opportunities. Thus, the executive officers and real estate professionals at our Advisor could direct attractive investment opportunities to other entities advised by affiliates of AR Global.

We and other entities advised by affiliates of AR Global also rely on these executive officers and other key real estate professionals to supervise the property management and leasing of properties. These individuals, as well as AR Global, as an entity are not prohibited from engaging, directly or indirectly, in any business or from possessing interests in other businesses and ventures, including businesses and ventures involved in the acquisition, development, ownership, leasing or sale of real estate investments.

In addition, we may acquire properties in geographic areas where other entities advised by affiliates of AR Global own properties, and if we may acquire properties from, or sell properties to, other entities advised by affiliates of AR Global. If one of the other entities advised by affiliates of AR Global attracts a tenant that we are competing for, we could suffer a loss of revenue due to delays in locating another suitable tenant.

Our Advisor faces conflicts of interest relating to joint ventures, which could result in a disproportionate benefit to the other venture partners at our expense.

We may enter into joint ventures with other entities advised by affiliates of AR Global for the acquisition, development or improvement of properties. Our Advisor may have conflicts of interest in determining which entities advised by affiliates of AR Global should enter into any particular joint venture agreement. The co-venturer may have economic or business interests or goals that are or may become inconsistent with our business interests or goals. In addition, our Advisor may face a conflict in structuring the terms of the relationship between our interests and the interest of the affiliated co-venturer and in managing the joint venture. Due to the role of our Advisor and its affiliates, agreements and transactions between the co-venturers with respect to any joint venture will not have the benefit of arm's-length negotiation of the type normally conducted between unrelated co-venturers, which may result in the co-venturer receiving benefits greater than the benefits that we receive. In addition, we may assume liabilities related to the joint venture that exceeds the percentage of our investment in the joint venture.

Our Advisor, AR Global and their officers and employees and certain of our executive officers and other key personnel face competing demands relating to their time, and this may cause our operating results to suffer.

Our Advisor, AR Global and their officers and employees and certain of our executive officers and other key personnel and their respective affiliates are key personnel, general partners, sponsors, managers, owners and advisors of other real estate investment programs, including entities advised by affiliates of AR Global, some of which have investment objectives and legal and financial obligations similar to ours and may have other business interests as well. Because these entities and individuals have competing demands on their time and resources, they may have conflicts of interest in allocating their time between our business and these other activities.

All of our executive officers, some of our directors and the key real estate and other professionals assembled by our Advisor and our Property Manager face conflicts of interest related to their positions or interests in entities related to AR Global, which could hinder our ability to implement our business strategy.

All of our executive officers, and the key real estate and other professionals assembled by our Advisor and Property Manager are also executive officers, directors, managers, key professionals or holders of a direct or indirect interests in our Advisor, our Property Manager or other AR Global-affiliated entities. Through AR Global's affiliates, some of these persons work on behalf of entities advised by affiliates of AR Global. In addition, all of our executive officers and some of our directors serve in similar capacities for other entities advised by affiliates of our Advisor. As a result, they have duties to each of these entities, which duties could conflict with the duties they owe to us and could result in action or inaction detrimental to our business. Conflicts with our business and interests are most likely to arise from (a) allocation of investments and management time and services between us and the other entities; (b) compensation to our Advisor or Property Manager; (c) our purchase of properties from, or sale of properties to, entities advised by affiliates of our Advisor; and (d) investments with entities advised by affiliates of our Advisor. Conflicts of interest may hinder our ability to implement our business strategy, and, if we do not successfully implement our business strategy.

Our Advisor faces conflicts of interest relating to the structure of the compensation it may receive.

Under our advisory agreement, the Advisor is entitled to substantial minimum compensation regardless of performance as well as incentive compensation. The variable base management fee payable to the Advisor under the advisory agreement increases proportionately with the cumulative net proceeds of any equity (including convertible equity and certain convertible debt but excluding proceeds from the DRIP) raised by us. In addition, the limited partnership agreement of our OP requires it to pay a subordinated incentive listing distribution to the "Special Limited Partner," an affiliate of our Advisor, in connection with a listing or other liquidity event, such as the sale of all or substantially all of our assets, or if we terminate the advisory agreement, even for "cause." The Special Limited Partner is also entitled to participate in the distribution of net sales proceeds. These arrangements may result in the Advisor taking actions or recommending investments that are riskier or more speculative absent these compensation arrangements. In addition, these fees and other compensation payable to the Advisor reduce the cash available for investment or other corporate purposes.

Risks Related to our Corporate Structure

Our common stock is not traded on a national securities exchange, and our SRP, which provides for repurchases only in the event of death or disability of a stockholder, is suspended. Stockholders may have to hold their shares for an indefinite period of time.

Our common stock is not listed on a national securities exchange and there is otherwise no active trading market for the shares and our SRP is suspended. Even if not suspended, our SRP includes numerous restrictions that limit a stockholder's ability to sell shares of common stock to us, including limiting repurchases only to stockholders that have died or become disabled, limiting the total value of repurchases pursuant to our SRP to the amount of proceeds received from issuances of common stock pursuant to the DRIP and limiting repurchases in any fiscal semester to 2.5% of the average number of shares outstanding during the previous fiscal year. These limits are subject to the authority of the board to identify another source of funds for repurchases under the SRP. The board may also reject any request for repurchase of shares at its discretion or amend, suspend or terminate our SRP upon notice in its discretion. Shares that are repurchased will be repurchased at a price equal to the applicable Estimated Per-Share NAV and may be at a substantial discount to the price the stockholder paid for the shares. We are also restricted from making any share repurchases until the Commencement Quarter and, after that, to the extent they would be aggregated with dividends and other distributions to our stockholders under the covenant in our Credit Facility, all of which may further limit the amount that may be repurchased.

The Estimated Per-Share NAV of our common stock is based upon subjective judgments, assumptions and opinions about future events, and may not reflect the amount that our stockholders might receive for their shares.

We intend to publish an updated Estimated Per-Share NAV as of December 31, 2022 in early April 2023. Our Advisor has engaged an independent valuer to perform appraisals of our real estate assets in accordance with valuation guidelines established by the board. As with any methodology used to estimate value, the valuation methodologies that will be used by any independent valuer to value our properties involve subjective judgments concerning factors such as comparable sales, rental and operating expense data, capitalization or discount rate, and projections of future rent and expenses.

Under our valuation guidelines, our independent valuer estimates the market value of our principal real estate and real estate-related assets, and our Advisor makes a recommendation as to the net value of our real estate and real estate-related assets and liabilities taking into consideration such estimate provided by the independent valuer. Our Advisor reviews the valuation provided by the independent valuer for consistency with our valuation guidelines and the reasonableness of the independent valuer's conclusions. The independent directors of the board oversee and review the appraisals and valuations and make a final determination of the Estimated Per-Share NAV. The independent directors of the board rely on our Advisor's input, including its view of the estimate and the appraisals performed by the independent valuer, but the independent directors of the board may, in their discretion, consider other factors. Although the valuations of our real estate assets by the independent valuer are reviewed by our Advisor and approved by the independent directors of the board, neither our Advisor nor the independent directors of the board will independently verify the appraised value of our properties and valuations do not necessarily represent the price at which we would be able to sell any asset. As a result, the appraised value of a particular property may be greater or less than its potential realizable value, which would cause our Estimated per-share NAV to be greater or less than the potential realizable value of our assets.

The price at which shares of our common stock may be sold under the DRIP and the price at which shares of our common stock may be repurchased by us pursuant to the SRP are based on Estimated Per-Share NAV and may not reflect the price that our stockholders would receive for their shares in a market transaction, the proceeds that would be received upon our liquidation or the price that a third-party would pay to acquire us.

Because Estimated Per-Share NAV is only determined annually, it may differ significantly from our actual per-share net asset value at any given time.

Our board estimates the per-share net asset value of our common stock only on an annual basis. In connection with any valuation, the board estimate of the value of our real estate and real estate-related assets will be partly based on appraisals of our properties. Because the process of making this estimate is conducted annually, this process may not account for material events that occur after the estimate has been completed for that year. Material events could include the appraised value of our properties substantially changing actual property operating results differing from what we originally budgeted or dividends and other distributions to stockholders exceeding cash flow generated by us. Any such material event could cause a change in the Estimated Per-Share NAV that would not be reflected until the next valuation. Also, cash dividends and other distributions in excess of our cash flows provided by operations could decrease our Estimated Per-Share NAV. The Estimated Per-Share NAV reflected Stock Dividends actually issued as of December 31, 2021, but has not been adjusted to reflect or consider any of the other stock dividends that were issued and will not be adjusted for stock dividends paid or that may be issued in the future until the Board determines a new Estimated Per-Share NAV which is expected in early April 2023. Dividends paid in the form of additional shares of common stock will, all things equal, cause the value of each share of common stock to decline because the number of shares outstanding increases when dividends paid in stock are issued reducing the Estimated Per-Share NAV. The Estimated Per-Share NAV may not reflect the value of shares of our common stock at any given time, and our estimated per-share NAV may differ significantly from our actual per-share net asset value at any given time.

The trading price of our Series A Preferred Stock and Series B Preferred Stock may fluctuate significantly.

The trading price of our Series A Preferred Stock and Series B Preferred Stock may be volatile and subject to significant price and volume fluctuations in response to market and other factors, and is impacted by a number of factors, many of which are outside our control. Among the factors that could affect the trading price are:

- our financial condition, including the level of our indebtedness, and performance;
- our ability to grow through property acquisitions, the terms and pace of any acquisitions we may make and the availability and terms of financing for those acquisitions;
- the financial condition of our tenants, including tenant bankruptcies or defaults;
- actual or anticipated quarterly fluctuations in our operating results and financial condition;
- the amount and frequency of our payment of dividends and other distributions;
- additional sales of equity securities, including Series A Preferred Stock, Series B Preferred Stock, common stock or any other equity interests, or the perception that additional sales may occur;
- the reputation of REITs and real estate investments generally and the attractiveness of REIT equity securities in comparison to other equity securities, and fixed income debt securities;
- our reputation and the reputation of AR Global and its affiliates or other entities advised by AR Global and its affiliates;
- uncertainty and volatility in the equity and credit markets;
- increases in interest rates;
- inflation and continuing increases in the real or perceived inflation rate;
- changes in revenue or earnings estimates, if any, or publication of research reports and recommendations by financial analysts or actions taken by rating agencies with respect to our securities or those of other REITs;
- failure to meet analyst revenue or earnings estimates;
- strategic actions by us or our competitors, such as acquisitions or restructurings;

- the extent of investment in our Series A Preferred Stock and Series B Preferred Stock by institutional investors;
- the extent of short-selling of our Series A Preferred Stock and Series B Preferred Stock;
- general financial and economic market conditions and, in particular, developments related to market conditions for REITs and other real estate related companies;
- failure to maintain our REIT status;
- changes in tax laws;
- domestic and international economic factors unrelated to our performance; and
- all other risk factors addressed elsewhere in this Annual Report on Form 10-K for the year ended December 31, 2022.

Moreover, although shares of Series A Preferred Stock and Series B Preferred Stock are listed on The Nasdaq Global Market, there can be no assurance that the trading volume for shares will provide sufficient liquidity for holders to sell their shares at the time of their choosing or that the trading price for shares will equal or exceed the price paid for the shares. Because the shares of Series A Preferred Stock and Series B Preferred Stock carry a fixed dividend rate, the trading price in the secondary market will be influenced by changes in interest rates and will tend to move inversely to changes in interest rates. In particular, an increase in market interest rates may result in higher yields on other financial instruments and may lead purchasers of shares of Series A Preferred Stock and Series B Preferred Stock to demand a higher yield on their purchase price, which could adversely affect the market price of those shares. An increase in interest rates available to investors could also reduce the value of our common stock.

The limit on the number of shares a person may own may discourage a third-party from acquiring us in a manner that might result in a premium price to our stockholders.

Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT. Unless exempted (prospectively or retroactively) by the board, no person may own more than 9.8% in value of the aggregate of our outstanding shares of our capital stock or more than 9.8% (in value or in number of shares, whichever is more restrictive) of any class or series of shares of our capital stock. This restriction may have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all our assets) that might provide a premium price for holders of our common stock.

The terms of our Series A Preferred Stock, Series B Preferred Stock, and the terms of other preferred stock we may issue, may discourage a third- party from acquiring us in a manner that might result in a premium price to stockholders.

The change of control conversion and redemption features of the Series A Preferred Stock and Series B Preferred Stock may make it more difficult for a party to acquire us or discourage a party from seeking to acquire us. Upon the occurrence of a change of control, holders of Series A Preferred Stock and Series B Preferred Stock will, under certain circumstances, have the right to convert some of or all their shares of Series A Preferred Stock and Series B Preferred Stock into shares of our common stock (or equivalent value of alternative consideration) and under these circumstances we will also have a change of control redemption right to redeem shares of Series A Preferred Stock and Series B Preferred Stock. Upon exercise of this conversion right, the holders will be limited to a maximum number of shares of our common stock pursuant to a predetermined ratio. These features of the Series A Preferred Stock and Series B Preferred Stock may have the effect of discouraging a third-party from seeking to acquire us or of delaying, deferring or preventing a change of control under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then-current market price or that stockholders may otherwise believe is in their best interests. We may also issue other classes or series of preferred stock that could also have the same effect.

We may issue additional equity securities in the future.

Our stockholders do not have preemptive rights to any shares issued by us in the future. Our charter authorizes us to issue up to 350,000,000 shares of stock, consisting of 300,000,000 shares of common stock, par value $0.01 per share, and 50,000,000 shares of preferred stock, par value $0.01 per share. As of December 31, 2022, we had the following stock issued and outstanding: (i) 105,080,531 shares of common stock; (ii) 3,977,144 shares of Series A Preferred Stock; and (iii) 3,630,000 shares of Series B Preferred Stock. Subject to the approval rights of holders of our Series A Preferred Stock and Series B Preferred Stock regarding authorization or issuance of equity securities ranking senior to the Series A Preferred Stock or Series B Preferred Stock, the board, without approval of our common stockholders, may amend our charter from time to time to increase or decrease the aggregate number of authorized shares of stock, or the number of authorized shares of any class or series of stock or may classify or reclassify any unissued shares into other classes or series of stock without obtaining stockholder approval and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of the stock.

All of our authorized but unissued shares of stock may be issued in the discretion of the board. The issuance of additional shares of our common stock could dilute the interests of the holders of our common stock, and any issuance of shares of preferred stock senior to our common stock, such as our Series A Preferred Stock and Series B Preferred Stock, or any incurrence of additional indebtedness, could affect our ability to pay distributions on our common stock. The issuance of additional shares of preferred stock ranking equal or senior to our Series A Preferred Stock and Series B Preferred Stock, including preferred stock convertible into shares of our common stock, could dilute the interests of the holders of common stock, Series A Preferred Stock, Series B Preferred Stock and any issuance of shares of preferred stock senior to our Series A Preferred Stock, Series B Preferred Stock or incurrence of additional indebtedness could affect our ability to pay dividends on, redeem or pay the liquidation preference on our Series A Preferred Stock and Series B Preferred Stock. These issuances could also adversely affect our Estimated Per-Share NAV or the trading price of our Series A Preferred Stock and Series B Preferred Stock.

We may issue shares in public or private offerings in the future, including shares of our common stock issued as awards to our officers, directors and other eligible persons, pursuant to the advisory agreement in payment of fees thereunder and pursuant to the DRIP. We may also issue partnership units in the OP designated as "Common OP Units" to sellers of properties we acquire which, subject to satisfying certain requirements, would give the holder of Common OP Units the option to redeem Common OP Units for shares of our common stock or cash at our option. We also may issue securities that are convertible into shares of our common stock.

Because our decision to issue equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. The issuance of additional equity securities could adversely affect stockholders.

We have a classified board, which may discourage a third-party from acquiring us in a manner that might result in a premium price to our stockholders.

The board is divided into three classes of directors. At each annual meeting, directors of one class are elected to serve until the annual meeting of stockholders held in the third year following the year of their election and until their successors are duly elected and qualify. The classification of our directors may have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all our assets) that might result in a premium price for our stockholders.

Maryland law prohibits certain business combinations, which may make it more difficult for us to be acquired and may discourage a third-**party** ***from acquiring us in a manner that might result in a premium price to our stockholders.***

Under Maryland law, "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include, but are not limited to, a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns, directly or indirectly, 10% or more of the voting power of the corporation's outstanding voting stock; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of, directly or indirectly, 10% or more of the voting power of the then outstanding stock of the corporation.

A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which he or she otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board of directors.

After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares. The business combination statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors prior to the time that the interested stockholder becomes an interested stockholder. Pursuant to the statute, the board has exempted any business combination involving our Advisor or any affiliate of our Advisor. Consequently, the five-year prohibition and the super-majority vote requirements will not apply to business combinations between us and our Advisor or any affiliate of our Advisor. As a result, our Advisor and any affiliate of our Advisor may be able to enter into business combinations with us that may not be in the best interests of our stockholders, without compliance with the super-majority vote requirements and the other provisions of the statute. The business combination statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

Our bylaws designate the Circuit Court for Baltimore City, Maryland as the sole and exclusive forum for certain actions and proceedings that may be initiated by our stockholders.

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or, if that court does not have jurisdiction, the United States District Court for the District of Maryland, Northern Division, is the sole and exclusive forum for (a) any derivative action or proceeding brought on our behalf, other than actions arising under federal securities laws; (b) any Internal Corporate Claim, as such term is defined in the Maryland General Corporation Law (the "MGCL"), or any successor provision thereof, including, without limitation, (i) any action asserting a claim of breach of any duty owed by any of our directors, officers or other employees to us or to our stockholders or (ii) any action asserting a claim against us or any of our directors, officers or other employees arising pursuant to any provision of the MGCL, our charter or our bylaws; or (c) any other action asserting a claim against us or any of our directors, officers or other employees that is governed by the internal affairs doctrine. Our bylaws also provide that unless we consent in writing, none of the foregoing actions, claims or proceedings may be brought in any court sitting outside the State of Maryland and the federal district courts are, to the fullest extent permitted by law, the sole and exclusive forum for the resolution of any complaint asserting a cause of action under the Securities Act. These choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that the stockholder believes is favorable. Alternatively, if a court were to find these provisions of our bylaws inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving these matters in other jurisdictions.

Certain provisions in our bylaws and agreements may deter, delay or prevent a change in our control.

Provisions contained in our bylaws may deter, delay or prevent a change in control of our board of directors, including, for example, provisions requiring qualifications for an individual to serve as a director and a requirement that certain of our directors be "Managing Directors" and other directors be "Independent Directors", as defined in our governing documents. As changes occur in the marketplace for corporate governance policies, the provisions may change, be removed or new ones may be added.

Maryland law limits the ability of a third-party to buy a large stake in us and exercise voting power in electing directors, which may discourage a third-party from acquiring us in a manner that might result in a premium price to our stockholders.

The Maryland Control Share Acquisition Act provides that holders of "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights except to the extent approved by the stockholders by the affirmative vote of two-thirds of all the votes entitled to be cast on the matter, excluding all shares of stock owned by the acquirer, by officers or by employees who are directors of the corporation. "Control shares" are voting shares of stock which, if aggregated with all other shares of stock owned by the acquirer or in respect of which the acquirer can exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing directors within specified ranges of voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval or shares acquired directly from the corporation. A "control share acquisition" means the acquisition of issued and outstanding control shares. The Maryland Control Share Acquisition Act does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction, or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the Maryland Control Share Acquisition Act any and all acquisitions of our stock by any person. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

If our stockholders do not agree with the decisions of the board, our stockholders only have limited control over changes in our policies and operations and may not be able to change our policies and operations.

The board determines our major policies, including our policies regarding investments, financing, growth, debt capitalization, REIT qualification and dividends and other distributions. The board may amend or revise these and other policies without a vote of the stockholders except to the extent that the policies are set forth in our charter. Under MGCL and our charter, our common stockholders have a right to vote only on the following:

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

All other matters are subject to the discretion of the board. Holders of our Series A Preferred Stock and Series B Preferred Stock have extremely limited voting rights.

The stockholder rights plan adopted by our board of directors may discourage a third-party from acquiring us in a manner that might result in a premium price to our stockholders.

Our board of directors previously adopted a stockholder rights plan that will expire in May 2023 or sooner under certain circumstances. In connection with the rights plan, in December 2020, we paid a dividend of one common share purchase right for each share of our common stock outstanding as authorized by our board in its discretion. If a person or entity, together with its affiliates and associates, acquires beneficial ownership of 2.0% or more of our then outstanding common stock, subject to certain exceptions, each right would entitle its holder (other than the acquirer, its affiliates and associates) to purchase additional shares of our common stock at a substantial discount to the then current per share estimated net asset value. In addition, under certain circumstances, we may exchange the rights (other than rights beneficially owned by the acquirer, its affiliates and associates), in whole or in part, for shares of common stock on a one-for-one basis. The stockholder rights plan could make it more difficult for a third-party to acquire the Company or a large block of our common stock without the approval of our board or directors, which may discourage a third-party from acquiring us in a manner that might result in a premium price to our stockholders.

We depend on our OP and its subsidiaries for cash flow and are structurally subordinated in right of payment to the obligations of our OP and its subsidiaries.

We conduct, and intend to continue conducting, all of our business operations through our OP, and, accordingly, we rely on distributions from our OP and its subsidiaries to provide cash to pay our obligations. There is no assurance that our OP or its subsidiaries will be able to, or be permitted to, pay distributions to us that will enable us to pay dividends and other distributions to our stockholders and meet our other obligations. Each of our OP's subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from these entities. In addition, any claims we may have will be structurally subordinated to all existing and future liabilities and obligations of our OP and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our OP and its subsidiaries will be available to satisfy the claims of our creditors or to pay dividends and other distributions to our stockholders only after all the liabilities and obligations of our OP and its subsidiaries have been paid in full.

We indemnify our officers, directors, our Advisor and its affiliates against claims or liability they may become subject to due to their service to us, and our rights and the rights of our stockholders to recover claims against our officers, directors, our Advisor and its affiliates are limited.

Maryland law provides that a director has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in the corporation's best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, subject to certain limitations set forth therein or under Maryland law, our charter provides that no director or officer will be liable to us or our stockholders for monetary damages and permits us to indemnify our directors and officers from liability and advance certain expenses to them in connection with claims or liability they may become subject to due to their service to us, and we are not restricted from indemnifying our Advisor or its affiliates on a similar basis. We have entered into indemnification agreements consistent with Maryland law and our charter with our directors and officers, certain former directors and officers, our Advisor and AR Global. We and our stockholders may have more limited rights against our directors, officers, employees and agents, and our Advisor and its affiliates, than might otherwise exist under common law, which could reduce the recovery of our stockholders and our recovery against them. In addition, we may be obligated to fund the defense costs incurred by our directors, officers, employees and agents or our Advisor and its affiliates in some cases. Subject to conditions and exceptions, we also indemnify our Advisor and its affiliates from losses arising in the performance of their duties under the advisory agreement and have agreed to advance certain expenses to them in connection with claims or liability they may become subject to due to their service to us.

U.S. Federal Income Tax Risks

Our failure to remain qualified as a REIT would subject us to U.S. federal income tax and potentially state and local tax.

We elected to be taxed as a REIT, commencing with our taxable year ended December 31, 2013, and intend to operate in a manner that will allow us to continue to qualify as a REIT for U.S. federal income tax purposes. However, we may terminate our REIT qualification inadvertently, or if the Board determines that doing so is in our best interests. Our qualification as a REIT depends upon our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. We have structured, and intend to continue structuring, our activities in a manner designed to satisfy all the requirements to qualify as a REIT. However, the REIT qualification requirements are extremely complex and interpretation of the U.S. federal income tax laws governing qualification as a REIT is limited. Furthermore, any opinion of our counsel, including tax counsel, as to our eligibility to remain qualified as a REIT is not binding on the Internal Revenue Service (the "IRS") and is not a guarantee that we will continue to qualify as a REIT. Accordingly, we cannot be certain that we will be successful in operating so that we can remain qualified as a REIT. Our ability to satisfy the asset tests depends on our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT income or quarterly asset requirements also depends on our ability to successfully manage the composition of our income and assets on an ongoing basis. Accordingly, if certain of our operations were to be recharacterized by the IRS, such recharacterization would jeopardize our ability to satisfy all requirements for qualification as a REIT. Furthermore, future legislative, judicial or administrative changes to the U.S. federal income tax laws could be applied retroactively, which could result in our disqualification as a REIT.

If we fail to continue to qualify as a REIT for any taxable year, and we do not qualify for certain statutory relief provisions, we will be subject to U.S. federal income tax on our taxable income at the corporate rate. In addition, we would generally be disqualified from treatment as a REIT for the four taxable years following the year in which we lose our REIT qualification. Losing our REIT qualification would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability. In addition, amounts paid to stockholders that are treated as dividends for U.S. federal income tax purposes would no longer qualify for the dividends paid deduction, and we would no longer be required to make distributions. If we lose our REIT qualification, we might be required to borrow funds or liquidate some investments in order to pay the applicable taxes.

Even as a REIT, in certain circumstances, we may incur tax liabilities that would reduce our cash available for distribution to our stockholders.

Even as a REIT, we may be subject to U.S. federal, state and local income taxes. For example, net income from the sale of properties that are "dealer" properties sold by a REIT and that do not meet a safe harbor available under the Code (a "prohibited transaction" under the Code) will be subject to a 100% tax. We may not make sufficient distributions to avoid excise taxes applicable to REITs. Similarly, if we were to fail an income test (and did not lose our REIT status because such failure was due to reasonable cause and not willful neglect), we would be subject to tax on the income that does not meet the income test requirements. We also may decide to retain net capital gains we earn from the sale or other disposition of our property and pay U.S. federal income tax directly on such income. In that event, our stockholders would be treated as if they earned that income and paid the tax on it directly. However, stockholders that are tax-exempt, such as charities or qualified pension plans, would have no benefit from their deemed payment of such tax liability unless they file U.S. federal income tax returns and seek a refund of such tax. We also will be subject to corporate tax on any undistributed REIT taxable income. We also may be subject to state and local taxes on our income or property, including franchise, payroll and transfer taxes, either directly or at the level of the OP or at the level of the other companies through which we indirectly own our assets, such as any TRSs, which are subject to full U.S. federal, state, local and foreign corporate-level income taxes. Any taxes we pay directly or indirectly will reduce our cash flow.

To qualify as a REIT, we must meet annual distribution requirements, which may force us to forgo otherwise attractive opportunities or borrow funds during unfavorable market conditions. This could delay or hinder our ability to meet our investment objectives and reduce our stockholders' overall return.

In order to qualify as a REIT, we must distribute annually to our stockholders at least 90% of our REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding net capital gain. We will be subject to U.S. federal income tax on our undistributed REIT taxable income and net capital gain and to a 4% nondeductible excise tax on any amount by which distributions we make with respect to any calendar year are less than the sum of (a) 85% of our ordinary income, (b) 95% of our capital gain net income and (c) 100% of our undistributed income from prior years. These requirements could cause us to distribute amounts that otherwise would be spent on investments in real estate assets and it is possible that we might be required to borrow funds, possibly at unfavorable rates, or sell assets to fund these distributions. Although we intend to make distributions sufficient to meet the annual distribution requirements and to avoid U.S. federal income and excise taxes on our earnings while we qualify as a REIT, it is possible that we might not always be able to do so.

Recharacterization of sale-leaseback transactions may cause us to lose our REIT status.

We will use commercially reasonable efforts to structure any sale-leaseback transaction we enter into so that the lease will be characterized as a "true lease" for U.S. federal income tax purposes, thereby allowing us to be treated as the owner of the property for U.S. federal income tax purposes. However, the IRS may challenge this characterization. In the event that any sale-leaseback transaction is challenged and recharacterized as a financing transaction or loan for U.S. federal income tax purposes, deductions for depreciation and cost recovery relating to the property would be disallowed. If a sale-leaseback transaction were so recharacterized, we might fail to continue to satisfy the REIT qualification asset tests or income tests and, consequently, lose our REIT status effective with the year of recharacterization. Alternatively, the amount of our REIT taxable income could be recalculated which might also cause us to fail to meet the distribution requirement for a taxable year.

Certain of our business activities are potentially subject to the prohibited transaction tax.

For so long as we qualify as a REIT, our ability to dispose of property during the first few years following acquisition may be restricted to a substantial extent as a result of our REIT qualification. Under applicable provisions of the Code regarding prohibited transactions by REITs, while we qualify as a REIT and provided we do not meet a safe harbor available under the Code, we will be subject to a 100% penalty tax on the net income from the sale or other disposition of any property (other than foreclosure property) that we own, directly or indirectly through any subsidiary entity, including the OP, but generally excluding TRSs, that is deemed to be inventory or property held primarily for sale to customers in the ordinary course of a trade or business. Whether property is inventory or otherwise held primarily for sale to customers in the ordinary course of a trade or business depends on the particular facts and circumstances surrounding each property. We intend to avoid the 100% prohibited transaction tax by (a) conducting activities that may otherwise be considered prohibited transactions through a TRS (but such TRS will incur corporate rate income taxes with respect to any income or gain recognized by it), (b) conducting our operations in such a manner so that no sale or other disposition of an asset we own, directly or indirectly through any subsidiary, will be treated as a prohibited transaction, and (c) structuring certain dispositions of our properties to comply with the requirements of the prohibited transaction safe harbor available under the Code for properties that, among other requirements, have been held for at least two years. Despite our present intention, no assurance can be given that any particular property we own, directly or through any subsidiary entity, including the OP, but generally excluding TRSs, will not be treated as inventory or property held primarily for sale to customers in the ordinary course of a trade or business.

TRSs are subject to corporate-level taxes and our dealings with TRSs may be subject to a 100% excise tax.

A REIT may own up to 100% of the stock of one or more TRSs. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 20% (25% for taxable years beginning prior to January 1, 2018) of the gross value of a REIT's assets may consist of stock or securities of one or more TRSs. A TRS may hold assets and earn income that would not be qualifying assets or income if held or earned directly by a REIT, including gross income from operations pursuant to management contracts. We may lease some of our seniors housing properties that are "qualified health care properties" to one or more TRSs which, in turn, contract with independent third-party management companies to operate those qualified health care properties on behalf of those TRSs. In addition, we may use one or more TRSs generally to hold properties for sale in the ordinary course of a trade or business or to hold assets or conduct activities that we cannot conduct directly as a REIT. A TRS is subject to applicable U.S. federal, state, local and foreign income tax on its taxable income, as well as limitations on the deductibility of its interest expenses. In addition, the Code imposes a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis.

If the OP failed to qualify as a partnership or is not otherwise disregarded for U.S. federal income tax purposes, we would cease to qualify as a REIT.

If the IRS were to successfully challenge the status of the OP as a partnership or disregarded entity for U.S. federal income tax purposes, the OP would be taxable as a corporation. In such event, this would reduce the amount of distributions that the OP could make to us. This also would result in our failing to qualify as a REIT, and we would become subject to a corporate-level tax on our income. This substantially would reduce our cash available to pay dividends and other distributions to our stockholders. In addition, if any of the partnerships or limited liability companies through which the OP owns its properties, in whole or in part, loses its characterization as a partnership and is otherwise not disregarded for U.S. federal income tax purposes, the partnership or limited liability company would be subject to taxation as a corporation, thereby reducing distributions to the OP. Such a recharacterization of an underlying property owner could also threaten our ability to maintain our REIT qualification.

If our qualified health care properties are not properly leased to a TRS or the managers of those qualified health care properties do not qualify as "eligible independent contractors," we could fail to qualify as a REIT.

In general, under the REIT rules, we cannot directly operate any of our seniors housing properties that are qualified health care properties and can only indirectly participate in the operation of qualified health care properties on an after-tax basis by leasing those properties to independent health care facility operators or to TRSs. A qualified health care property is any real property (and any personal property incident to that real property), which is, or is necessary or incidental to the use of, a hospital, nursing facility, assisted living facilities, congregate care facility, qualified continuing care facility, or other licensed facility which extends medical or nursing or ancillary services to patients and is operated by a provider of those services that is eligible for participation in the Medicare program with respect to that facility. Furthermore, rent paid by a lessee of a qualified health care property that is a "related party tenant" of ours will not be qualifying income for purposes of the two gross income tests applicable to REITs. However, a TRS that leases qualified health care properties from us will not be treated as a related party tenant with respect to our qualified health care properties that are managed by an eligible independent contractor.

An eligible independent contractor is an independent contractor that, at the time such contractor enters into a management or other agreement with a TRS to operate a qualified health care property, is actively engaged in the trade or business of operating qualified health care properties for any person not related to us or the TRS. Among other requirements to qualify as an independent contractor, a manager must not own, directly or applying attribution provisions of the Code, more than 35% of the shares of our outstanding stock (by value), and no person or group of persons can own more than 35% of the shares of our outstanding stock and 35% of the ownership interests of the manager (taking into account only owners of more than 5% of our shares and, with respect to ownership interest in such managers that are publicly traded, only holders of more than 5% of such ownership interests). The ownership attribution rules that apply for purposes of the 35% thresholds are complex. There can be no assurance that the levels of ownership of our shares by our managers and their owners will not be exceeded.

If our leases with TRSs are not respected as true leases for U.S. federal income tax purposes, we likely would fail to qualify as a REIT.

To qualify as a REIT, we must satisfy two gross income tests, under which specified percentages of our gross income must be derived from certain sources, such as "rents from real property." Rent paid by TRSs to the OP pursuant to the lease of our qualified healthcare properties will constitute a substantial portion of our gross income. For that rent to qualify as rents from real property for purposes of the REIT gross income tests, the leases must be respected as true leases for U.S. federal income tax purposes and not be treated as service contracts, joint ventures or some other type of arrangement. If our leases are not respected as true leases for U.S. federal income tax purposes, we may fail to qualify as a REIT.

We may choose to make distributions in shares of our common stock, in which case our stockholders may be required to pay U.S. federal income taxes in excess of the cash portion of distributions they receive.

In connection with our qualification as a REIT, we are required to distribute annually to our stockholders at least 90% of our REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding net capital gain. In order to satisfy this requirement, as much as 80% of the aggregate distributions may be in shares of our common stock. Taxable stockholders receiving such distributions will be required to include the full amount of such distributions as ordinary dividend income to the extent of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. As a result, U.S. stockholders may be required to pay U.S. federal income taxes with respect to such distributions in excess of the cash portion of the distribution received.

Accordingly, U.S. stockholders receiving a distribution of shares of our common stock may be required to sell shares received in such distribution or may be required to sell other stock or assets owned by them, at a time that may be disadvantageous, in order to satisfy any tax imposed on such distribution. If a U.S. stockholder sells the shares that it receives as part of the distribution in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the distribution, depending on the value of the shares at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such distribution, including in respect of all or a portion of such distribution that is payable in stock, by withholding or disposing of part of the shares included in such distribution and using the proceeds of such disposition to satisfy the withholding tax imposed. Because there is no established trading market for shares of our common stock, stockholders may not be able to sell shares of our common stock to pay taxes owed on dividend income.

The taxation of distributions can be complex; however, distributions to stockholders that are treated as dividends for U.S. federal income tax purposes generally will be taxable as ordinary income, which may reduce our stockholders' after-tax anticipated return from an investment in us.

Amounts that we pay to our taxable stockholders out of current and accumulated earnings and profits (and not designated as capital gain dividends or qualified dividend income) generally will be treated as dividends for U.S. federal income tax purposes and will be taxable as ordinary income. Noncorporate stockholders are entitled to a 20% deduction with respect to these ordinary REIT dividends which would, if allowed in full, result in a maximum effective U.S. federal income tax rate on these ordinary REIT dividends of 29.6% (or 33.4% including the 3.8% surtax on net investment income); however, the 20% deduction will end after December 31, 2025.

However, a portion of the amounts that we pay to our stockholders generally may (a) be designated by us as capital gain dividends taxable as long-term capital gain to the extent that such portion is attributable to net capital gain recognized by us, (b) be designated by us as qualified dividend income, taxable at capital gains rates, to the extent that such portion is attributable to dividends we receive from TRSs, or (c) constitute a return of capital to the extent that such portion exceeds our accumulated earnings and profits as determined for U.S. federal income tax purposes. With respect to qualified dividend income, the current maximum U.S federal tax rate applicable to U.S. noncorporate stockholders is 20% (or 23.8% including the 3.8% surtax on net investment income). Dividends payable by REITs, however, generally are not eligible for this reduced rate and, as described above, through December 31, 2025, will be subject to an effective rate of 29.6% (or 33.4% including the 3.8% surtax on net investment income). Although this does not adversely affect the taxation of REITs or dividends payable by REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stock of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including shares of our stock. Tax rates could be changed in future legislation. A return of capital is not taxable but has the effect of reducing the tax basis of a stockholder's investment in shares of our stock. Amounts paid to our stockholders that exceed our current and accumulated earnings and profits and a stockholder's tax basis in shares of our stock generally will be taxable as capital gain.

Our stockholders may have tax liability on distributions that they elect to reinvest in shares of our common stock, but they would not receive the cash from such distributions to pay such tax liability.

Stockholders who participate in the DRIP will be deemed to have received, and for U.S. federal income tax purposes will be taxed on, the distributions reinvested in shares of our common stock to the extent the distributions were not a tax-free return of capital. In addition, our stockholders will be treated for tax purposes as having received an additional distribution to the extent the shares are purchased at a discount to fair market value. As a result, unless a stockholder is a tax-exempt entity, it may have to use funds from other sources to pay its tax liability on the distributions reinvested in shares of our common stock pursuant to the DRIP.

Complying with REIT requirements may limit our ability to hedge our liabilities effectively and may cause us to incur tax liabilities.

The REIT provisions of the Code may limit our ability to hedge our liabilities. Any income from a hedging transaction we enter into to manage the risk of interest rate changes, price changes or currency fluctuations with respect to borrowings made or to be made to acquire or carry real estate assets, or in certain cases to hedge previously acquired hedges entered into to manage risks associated with property that has been disposed of or liabilities that have been extinguished, if properly identified under applicable Treasury Regulations, does not constitute "gross income" for purposes of the 75% or 95% gross income tests. To the extent that we enter into other types of hedging transactions, the income from those transactions will likely be treated as non-qualifying income for purposes of both of the gross income tests. As a result of these rules, we may need to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because the TRS would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in a TRS generally will not provide any tax benefit, except for being carried forward against future taxable income of the TRS.

Complying with REIT requirements may force us to forgo or liquidate otherwise attractive investment opportunities.

To maintain our qualification as a REIT, we must ensure that we meet the REIT gross income tests annually and that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified REIT real estate assets, including certain mortgage loans and certain kinds of mortgage-related securities. The remainder of our investment in securities (other than securities that qualify for the 75% asset test and securities of qualified REIT subsidiaries and TRSs) generally cannot exceed 10% of the outstanding voting securities of any one issuer, 10% of the total value of the outstanding securities of any one issuer, or 5% of the value of our assets as to any one issuer. In addition, no more than 20% of the value of our total assets may consist of stock or securities of one or more TRSs and no more than 25% of our assets may consist of publicly offered REIT debt instruments that do not otherwise qualify under the 75% asset test. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate assets from our portfolio or not make otherwise attractive investments in order to maintain our qualification as a REIT.

The ability of the Board to revoke our REIT qualification without stockholder approval may subject us to U.S. federal income tax and reduce distributions to our stockholders.

Our charter provides that the Board may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interests to continue to qualify as a REIT. While we intend to maintain our qualification as a REIT, we may terminate our REIT election if we determine that qualifying as a REIT is no longer in our best interests. If we cease to be a REIT, we would become subject to corporate-level U.S. federal income tax on our taxable income (as well as any applicable state and local corporate tax) and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on our total return to our stockholders and on the value of shares of our stock.

We may be subject to adverse legislative or regulatory tax changes that could increase our tax liability, reduce our operating flexibility, and reduce the value of shares of our stock.

Changes to the tax laws may occur, and any such changes could have an adverse effect on an investment in shares of our stock or on the market value or the resale potential of our assets. Our stockholders are urged to consult with an independent tax advisor with respect to the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in shares of our stock.

Although REITs generally receive better tax treatment than entities taxed as non-REIT "C corporations," it is possible that future legislation would result in a REIT having fewer tax advantages, and it could become more advantageous for a company that invests in real estate to elect to be treated for U.S. federal income tax purposes as a non-REIT "C corporation." As a result, our charter provides the Board with the power, under certain circumstances, to revoke or otherwise terminate our REIT election and cause us to be taxed as a non-REIT "C corporation," without the vote of our stockholders. The Board has duties to us and could only cause such changes in our tax treatment if it determines that such changes are in our best interests.

The share ownership restrictions for REITs and the 9.8% share ownership limit in our charter may inhibit market activity in shares of our stock and restrict our business combination opportunities.

In order to qualify as a REIT, five or fewer individuals, as defined in the Code, may not own, actually or constructively, more than 50% in value of the issued and outstanding shares of our stock at any time during the last half of each taxable year, other than the first year for which a REIT election is made. Attribution rules in the Code determine if any individual or entity actually or constructively owns shares of our stock under this requirement. Additionally, at least 100 persons must beneficially own shares of our stock during at least 335 days of a taxable year for each taxable year, other than the first year for which a REIT election is made. To help ensure that we meet these tests, among other purposes, our charter restricts the acquisition and ownership of shares of our stock.

Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT while we so qualify. Unless exempted by the Board, for so long as we qualify as a REIT, our charter prohibits, among other limitations on ownership and transfer of shares of our stock, any person from beneficially or constructively owning (applying certain attribution rules under the Code) more than 9.8% in value of the aggregate outstanding shares of our stock and more than 9.8% (in value or in number of shares, whichever is more restrictive) of any class or series of the outstanding shares of our stock. The Board may not grant an exemption from these restrictions to any proposed transferee whose ownership in excess of the 9.8% ownership limit would result in the termination of our qualification as a REIT. These restrictions on transferability and ownership will not apply, however, if the Board determines that it is no longer in our best interests to continue to qualify as a REIT or that compliance with the restrictions is no longer required in order for us to continue to so qualify as a REIT.

These ownership limits could delay or prevent a transaction or a change in control that might involve a premium price for shares of our stock or otherwise be in the best interests of the stockholders.

Non-U.S. stockholders will be subject to U.S. federal withholding tax and may be subject to U.S. federal income tax on dividends and other distributions received from us and upon the disposition of shares of our stock.

Subject to certain exceptions, amounts paid to non-U.S. stockholders will be treated as dividends for U.S. federal income tax purposes to the extent of our current or accumulated earnings and profits. Such dividends ordinarily will be subject to U.S. withholding tax at a 30% rate, or such lower rate as may be specified by an applicable income tax treaty, unless the dividends are treated as “effectively connected” with the conduct by the non-U.S. stockholder of a U.S. trade or business. Capital gain distributions attributable to sales or exchanges of “U.S. real property interests” (“USRPIs”), generally will be taxed to a non-U.S. stockholder (other than a “qualified foreign pension fund,” certain entities wholly owned by a qualified foreign pension fund and certain foreign publicly-traded entities) as if such gain were effectively connected with a U.S. trade or business. However, a capital gain distribution will not be treated as effectively connected income if (a) the distribution is received with respect to a class of stock that is regularly traded on an established securities market located in the U.S. and (b) the non-U.S. stockholder does not own more than 10% of any class of our stock at any time during the one-year period ending on the date the distribution is received.

Gain recognized by a non-U.S. stockholder upon the sale or exchange of shares of our stock generally will not be subject to U.S. federal income taxation unless such stock constitutes a USRPI . Shares of our stock will not constitute a USRPI so long as we are a “domestically-controlled qualified investment entity.” A domestically-controlled qualified investment entity includes a REIT if at all times during a specified testing period, less than 50% in value of such REIT’s stock is held directly or indirectly by non-U.S. stockholders. Recently proposed regulations would apply special look-through rules to certain U.S. corporate stockholders in determining whether a REIT is domestically controlled. We believe, but there can be no assurance, that we will be a domestically-controlled qualified investment entity.

Even if we do not qualify as a domestically-controlled qualified investment entity at the time a non-U.S. stockholder sells or exchanges shares of our stock, gain arising from such a sale or exchange would not be subject to U.S. taxation as a sale of a USRPI if (a) the shares are of a class of our stock that is “regularly traded,” as defined by applicable Treasury regulations, on an established securities market, and (b) such non-U.S. stockholder owned, actually and constructively, 10% or less of the outstanding shares of our stock of that class at any time during the five-year period ending on the date of the sale.

Potential characterization of dividends and other distributions or gain on sale may be treated as unrelated business taxable income to tax-exempt investors.

If (a) we are a “pension-held REIT,” (b) a tax-exempt stockholder has incurred (or is deemed to have incurred) debt to purchase or hold shares of our stock, or (c) a holder of shares of our stock is a certain type of tax-exempt stockholder, dividends on, and gains recognized on the sale of, shares of our stock by such tax-exempt stockholder may be subject to U.S. federal income tax as unrelated business taxable income under the Code.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties

The following table presents certain additional information about the properties we owned as of December 31, 2022:

Portfolio	Number of Properties		Rentable Square Feet	Percent Leased [1]		Weighted Average Remaining Lease Term [2]	Gross Asset Value [3]
							(In thousands)
Medical Office and Other Healthcare Related Buildings	150		5,090,957	90.4%		4.9	$ 1,423,804
Seniors Housing — Operating Properties	52	(4)	4,030,413	75.1%	(5)	N/A	1,140,608
Total Portfolio	202		9,121,370				$ 2,564,412

(1) Inclusive of leases signed but not yet commenced as of December 31, 2022.
(2) Weighted-average remaining lease term in years is calculated based on square feet as of December 31, 2022.
(3) Gross asset value represents total real estate investments, at cost ($2.6 billion total as of December 31, 2022), net of gross market lease intangible liabilities ($23.5 million total as of December 31, 2022). Impairment charges are already reflected within gross asset value.
(4) Includes two parcels of land.
(5) Weighted by unit count as of December 31, 2022. As of December 31, 2022, we had 4,374 rentable units in our SHOP segment. Excludes land parcels.
N/A Not applicable.

The following table details the geographic distribution, by state, of our portfolio as of December 31, 2022:

State	Number of Properties	Annualized Rental Income [(1)] (In thousands)	Annualized Rental Income as a Percentage of the Total Portfolio	Rentable Square Feet	Percentage of Portfolio Rentable Square Feet	Rentable Units in SHOP Segment
Alabama	1	$ 176	0.1 %	5,564	0.1 %	—
Arizona	14	9,743	3.1 %	509,534	5.6 %	—
Arkansas	3	14,615	4.7 %	248,783	2.7 %	299
California	8	18,580	5.9 %	446,723	4.9 %	247
Colorado	3	1,727	0.6 %	67,016	0.7 %	—
Florida	23	60,216	19.2 %	1,099,729	12.1 %	812
Georgia	16	27,439	8.7 %	802,691	8.8 %	624
Idaho	1	3,959	1.3 %	55,846	0.6 %	95
Illinois	21	24,855	7.9 %	858,036	9.4 %	356
Indiana	8	4,693	1.5 %	208,672	2.3 %	—
Iowa	14	29,185	9.3 %	585,667	6.4 %	679
Kansas	1	4,309	1.4 %	49,360	0.5 %	71
Kentucky	2	3,952	1.3 %	92,875	1.0 %	114
Louisiana	1	656	0.2 %	17,830	0.2 %	—
Maryland	1	1,046	0.3 %	36,260	0.4 %	—
Massachusetts	3	846	0.3 %	36,563	0.4 %	—
Michigan	11	14,705	4.7 %	420,298	4.6 %	311
Minnesota	1	1,098	0.4 %	36,375	0.4 %	—
Mississippi	3	1,716	0.5 %	73,859	0.8 %	—
Missouri	2	7,715	2.5 %	96,016	1.1 %	146
Nevada	2	3,270	1.0 %	86,342	0.9 %	—
New Jersey	1	773	0.2 %	25,164	0.3 %	—
New York	4	2,598	0.8 %	119,602	1.3 %	—
North Carolina	3	1,555	0.5 %	90,650	1.0 %	—
Ohio	5	7,863	2.5 %	172,085	1.9 %	—
Oklahoma	2	1,092	0.3 %	47,407	0.5 %	—
Oregon	2	7,551	2.4 %	267,748	2.9 %	252
Pennsylvania	17	31,195	9.9 %	1,442,824	15.8 %	289
South Carolina	2	1,103	0.4 %	52,527	0.6 %	—
Tennessee	3	3,219	1.0 %	177,489	1.9 %	—
Texas	9	6,693	2.1 %	403,369	4.4 %	—
Virginia	1	1,633	0.3 %	62,165	0.7 %	—
Washington	1	2,031	0.6 %	52,900	0.6 %	—
Wisconsin	13	11,810	3.8 %	373,401	4.1 %	79
Total	202	$ 313,617	100 %	9,121,370	100 %	4,374

(1) Annualized rental income on a straight-line basis for the leases in place in the property portfolio as of December 31, 2022, which includes tenant concessions such as free rent, as applicable, as well as annualized gross revenue from our SHOPs based off the fourth quarter of 2022.

Future Minimum Lease Payments

The following table presents future minimum base rental cash payments due to us (excluding our SHOP segment) over the next ten years and thereafter as of December 31, 2022. The SHOP segment is excluded as the leases of units with residents are generally for annual periods or month to month. These amounts exclude tenant reimbursements and contingent rent payments, as applicable, that may be collected from certain tenants based on provisions related to performance thresholds and increases in annual rent based on exceeding certain economic indexes, among other items.

(In thousands)	Future Minimum Base Rent Payments
2023	$ 106,009
2024	99,507
2025	88,452
2026	80,462
2027	62,175
2028	45,274
2029	38,165
2030	34,468
2031	29,247
2032	22,472
Thereafter	45,649
	$ 651,880

Future Lease Expirations Table

The following is a summary of lease expirations for the next ten years at the properties we owned (excluding our SHOP segment) as of December 31, 2022:

Year of Expiration	Number of Leases Expiring	Annualized Rental Income (1)	Annualized Rental Income as a Percentage of the Total Portfolio	Leased Rentable Square Feet	Percent of Portfolio Rentable Square Feet Expiring
		(In thousands)			
2023	70	$ 6,249	5.8%	272,362	5.9%
2024	99	12,069	11.2%	543,459	11.9%
2025	71	7,788	7.3%	326,401	7.1%
2026	82	17,801	16.6%	1,000,453	21.8%
2027	95	15,701	14.6%	815,793	17.8%
2028	34	10,457	9.7%	397,495	8.7%
2029	20	3,191	3.0%	140,652	3.1%
2030	23	4,498	4.2%	182,801	4.0%
2031	15	4,820	4.5%	174,374	3.8%
2032	29	13,049	12.2%	435,838	9.5%
Total	538	$ 95,623	89.1%	4,289,628	93.6%

(1) Annualized rental income on a straight-line basis for the leases in place in the property portfolio as of December 31, 2022, which includes tenant concessions such as free rent, as applicable.

Tenant Concentration

As of December 31, 2022, we did not have any tenants (including for this purpose, all affiliates of such tenants) whose annualized rental income on a straight-line basis represented 10% or more of total annualized rental income on a straight-line basis for our portfolio.

Significant Portfolio Properties

As of December 31, 2022, the rentable square feet or annualized rental income on a straight-line basis of one property represented 5% or more of our total portfolio's rentable square feet or annualized rental income on a straight-line basis:

Wellington at Hershey's Mill - West Chester, PA

In December 2014, we purchased Wellington at Hershey's Mill, a seniors housing property located in West Chester, Pennsylvania. Wellington at Hershey's Mill, which is leased to our TRS and operated and managed on our behalf by a third-party operator in our SHOP segment, contains 491,710 rentable square feet and consists of 193 units dedicated to independent living patients, 64 units dedicated to assisted living patients and 32 units dedicated to memory care patients. As of December 31, 2022, this property represented 5.4% of our total rentable square feet and 4.8% of our total annualized rental income on a straight-line basis.

Property Financings

See *Note 4 — Mortgage Notes Payable, Net* and *Note 5 — Credit Facilities* to our consolidated financial statements in this Annual Report on Form 10-K for property financings as of December 31, 2022 and 2021.

Item 3. Legal Proceedings.

We are not a party to, and none of our properties are subject to, any material pending legal proceedings.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Market Information

No established public market currently exists for our shares of common stock. Until our shares are listed on a national exchange, if ever, our stockholders may not sell their shares unless the buyer meets the applicable suitability and minimum purchase requirements.

Estimated Per-Share Net Asset Value

Overview

On March 28, 2022, the independent directors of the Board, who comprise a majority of the Board, unanimously approved an estimated per-share net asset value ("Estimated Per-Share NAV") as of December 31, 2021 (the "Valuation Date") equal to $15.00. The Estimated Per-Share NAV of $15.00 fell within the range of the values reported by Kroll, LLC ("Kroll"), an independent third-party real estate advisory firm engaged by us. The range of values provided by Kroll was based on the estimated fair value of our assets less the estimated fair value of our liabilities and the liquidation value of our Series A Preferred Stock and the liquidation value of our Series B Preferred Stock, divided by 99,717,390 shares of common stock outstanding as of December 31, 2021. The common stock outstanding amount used to calculate the Estimated Per-Share NAV as of December 31, 2021 included the dividends declared and issued entirely in shares of our common stock through December 31, 2021, but did not include any other dividend declared and payable in whole or in part in shares of our common stock subsequent to December 31, 2021.

In determining the Estimated Per-Share NAV of $15.00, the independent directors of the Board considered various factors, including the information provided by Kroll, the impact of the stock dividend that was issued in January 2022, the fact that properties held for sale or under contract for sale at December 31, 2021 were valued based on their contract sale prices and without giving consideration to the reinvestment of the sale proceeds, and the impact of the COVID-19 pandemic.

The Estimated Per-Share NAV has not been adjusted for any stock dividend(s) issued subsequent to December 31, 2021 and will not be until a new Estimated Per-Share NAV is published. We intend to publish an Estimated Per-Share NAV as of December 31, 2022 in early April 2023.

Process

Consistent with our valuation guidelines, we engaged Kroll to perform appraisals of our real estate assets (each asset individually, a "Real Estate Asset" and collectively, the "Real Estate Assets") as of the Valuation Date and provided a valuation range for each Real Estate Asset. In addition, Kroll was engaged to review, and incorporate in its report, our market value estimate regarding other assets, liabilities, and the liquidation value of the outstanding shares of Series A Preferred Stock and Series B Preferred Stock as of the Valuation Date. Kroll has extensive experience estimating the fair value of commercial real estate.

The method used by Kroll to appraise the Real Estate Assets in the report furnished to the Advisor and the Board by Kroll (the "Kroll Report") complies with the Institute of Portfolio Alternatives (formerly known as the Investment Program Association) Practice Guideline 2013-01 titled "Valuations of Publicly Registered Non-Listed REITs," issued April 29, 2013. Also, Kroll advised that the scope of work performed was conducted in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. We have engaged Kroll for the past six years to assist in determining our Estimated Per-Share NAV. For preparing the Kroll Report, we paid Kroll a customary fee for services of this nature, no part of which was contingent relating to the provision of services or specific findings. Other than its engagement as described herein and its engagements to provide certain purchase price allocation and other real estate valuation services, Kroll does not have any direct interests in any transaction with us.

Potential conflicts of interest between Kroll, on one hand, and us or the Advisor, on the other hand, may arise as a result of (1) the impact of the findings of Kroll in relation to our Real Estate Assets, or the assets of real estate investment programs sponsored by affiliates of the Advisor, on the value of ownership interests owned by, or incentive compensation payable to, directors, officers or affiliates of us and the Advisor, or (2) Kroll performing valuation services for other programs sponsored by affiliates of the Advisor, as well as other services for us. While we and other programs sponsored by affiliates of the Advisor have engaged and may engage Kroll or its affiliates in the future for valuations and real estate-related services of various kinds, we believe that there are no material conflicts of interest with respect to our engagement of Kroll.

Valuation Methodology

Kroll performed a full valuation of our Real Estate Assets utilizing an income capitalization approach consisting of the Direct Capitalization Method or the Discounted Cash Flow Method and certain other approaches, including the acquisition price, disposition price, and sales comparison approach. These approaches are commonly used in the commercial real estate industry.

The Estimated Per-Share NAV is generally comprised of (i) the sum of (A) the estimated value of the Real Estate Assets and (B) the estimated value of the other assets, minus (ii) the sum of (C) the estimated value of debt and other liabilities (D) the estimate of the aggregate incentive fees, participations and limited partnership interests held by or allocable to the Advisor, our management or any of the respective affiliates based on our aggregate net asset value and payable in our hypothetical liquidation as of the Valuation Date (which was zero as of December 31, 2021), and (E) the liquidation value of the outstanding shares of Series A Preferred Stock and Series B Preferred Stock, divided by (iii) the number of shares of common stock outstanding as of the Valuation Date, which was 99,717,390. In determining the Estimated Per-Share NAV, the independent directors of the Board also considered the impact of other factors described herein that were not specifically quantified. Shares of common stock outstanding for these purposes is the sum of shares of common stock outstanding, including vested and unvested restricted shares, and partnership units of our operating partnership designated as “Common OP Units,” excluding performance-based restricted partnership units of our operating partnership designated as “Class B Units” because the Advisor concluded that, in a hypothetical liquidation at such Estimated Per-Share NAV, it may not be entitled to any incentive fees or Class B Units. The Advisor determined the Estimated Per-Share NAV in a manner consistent with the definition of fair value under U.S. generally accepted accounting principles set forth in FASB’s *Topic ASC 820, Fair Value Measurements and Disclosures.*

Limitations of the Estimated Per-Share NAV

The Estimated Per-Share NAV does not represent the: (i) the price at which shares of our common stock would trade at on a national securities exchange or a third party would pay for them, (ii) the amount stockholders would obtain if they tried to sell their shares of common stock or (iii) the amount stockholders would receive if we liquidated our assets and distributed the proceeds after paying all of our expenses and liabilities. Also, there is no assurance that the methodology used to establish the Estimated Per-Share NAV would be acceptable to the Financial Industry Regulatory Authority for use on customer account statements, or that the Estimated Per-Share NAV will satisfy the applicable annual valuation requirements under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and the Internal Revenue Code of 1986, as amended (the “Code”) with respect to employee benefit plans subject to ERISA and other retirement plans or accounts subject to Section 4975 of the Code. Further, the Estimated Per-Share NAV was calculated as of a specific date, and the value of shares of common stock will fluctuate over time as a result of, among other things, developments related to individual assets, changes in the real estate and capital markets, acquisitions or dispositions of assets and the distribution of proceeds from the sale of real estate to stockholders.

Conclusion

The Estimated Per-Share NAV as of December 31, 2021 of $15.00, a value within the range determined by Kroll, was unanimously adopted by the independent directors of the Board, who comprise a majority of the Board, with Mr. Weil abstaining, on March 28, 2022. The independent directors of the Board based their conclusions on their review of the Advisor’s analysis and recommendation, the Kroll Report, estimates and calculations and the fundamentals of the Real Estate Assets. The Board is ultimately and solely responsible for the Estimated Per-Share NAV. Estimated Per-Share NAV was determined at a moment in time and will likely change over time as a result of changes to the value of individual assets as well as changes and developments in the real estate and capital markets, including changes in interest rates.

Holders

As of March 14, 2023 we had 106,566,638 shares of common stock outstanding held by a total of 44,527 stockholders of record.

Dividends and Other Distributions

We elected to be taxed as a REIT for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2013. As a REIT, we are required to distribute annually to our stockholders at least 90% of our REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard for the deduction for dividends paid and excluding net capital gains.

The amount of dividends and other distributions payable to our stockholders is determined by the Board and is dependent on a number of factors, including funds available for dividends and other distribution, financial condition, provisions in our Credit Facility or other agreements that may restrict our ability to pay dividends and other distributions, capital expenditure requirements, as applicable, and annual dividends and other distribution requirements needed to maintain our status as a REIT under the Code. Under our Credit Facility, we may not pay cash distributions on our common stock until we have a combination of cash, cash equivalents and availability for future borrowings under the Revolving Credit Facility totaling at least $100.0 million (giving effect to the aggregate amount of distributions projected to be paid by us during the quarter in which we have elected to commence paying cash distributions on common stock) and our ratio of consolidated total indebtedness to consolidated total asset value (expressed as a percentage) is less than 62.5%. As of December 31, 2022, our ratio of consolidated total indebtedness to consolidated total asset value for these purposes was 63.2%. Thus, we did not satisfy these conditions as of December 31, 2022, and our ability to make future cash distributions on our common stock will depend on our future cash flows and indebtedness and may further depend on our ability to obtain additional liquidity, which may not be available on favorable terms, or at all. Dividends and other distribution payments are not assured. Any accrued and unpaid dividends payable with respect to our Series A Preferred Stock must be paid upon redemption of those shares. For further information on provisions in our Credit Facility that restrict the payment of dividends and other distributions, see *Note 5 — Credit Facility, Net* to our consolidated financial statements included in this Annual Report on Form 10-K and Item 1A "Risk Factors. *— We have not paid our distributions on our common stock in cash since 2020, and there can be no assurance we will pay distributions on our common stock in cash in the future."*

Distributions to Common Stockholders

From March 1, 2018 until June 30, 2020, we generally paid distributions on our common stock on a monthly basis at a rate equivalent of $0.85 per annum, per share of common stock. Distributions were generally paid by the 5th day following each month end to stockholders of record at the close of business each day during the prior month.

On August 13, 2020, the Board changed our common stock distribution policy in order to preserve our liquidity and maintain additional financial flexibility. Under the revised policy, distributions authorized by the Board on our shares of common stock, if and when declared, are paid on a quarterly basis in arrears in shares of our common stock valued at our estimated per share net asset value of common stock in effect on the applicable date, based on a single record date to be specified at the beginning of each quarter.

The following table details each stock dividend issued since October 1, 2020. The Board may further change our common stock distribution policy at any time, further reduce the amount of distributions paid or suspend distribution payments at any time, and therefore distribution payments are not assured.

Stock Dividend Declaration Date	**Stock Dividend Issue Date**	**Dividend Basis (per share)**	**Applicable NAV (per share)**	**Quarterly Stock Dividend Rate (per share)**
October 1, 2020	October 15, 2020	$ 0.85	$ 15.75	0.013492
January 4, 2021	January 15, 2021	$ 0.85	$ 15.75	0.013492
April 2, 2021	April 15, 2021	$ 0.85	$ 14.50	0.014655
July 1, 2021	July 15, 2021	$ 0.85	$ 14.50	0.014655
October 1, 2021	October 15, 2021	$ 0.85	$ 14.50	0.014655
January 3, 2022	January 15, 2022	$ 0.85	$ 14.50	0.014655
April 1, 2022	April 18, 2022	$ 0.85	$ 15.00	0.014167
July 1, 2022	July 15, 2022	$ 0.85	$ 15.00	0.014167
October 3, 2022	October 17, 2022	$ 0.85	$ 15.00	0.014167
January 3, 2023	January 18, 2023	$ 0.85	$ 15.00	0.014167

Dividends to Series A Preferred Stockholders

Dividends on our Series A Preferred Stock are declared quarterly in an amount equal to $1.84 per share each year ($0.46 per share per quarter) to Series A Preferred Stockholders, which is equivalent to 7.375% per annum on the $25.00 liquidation preference per share of Series A Preferred Stock. Dividends on the Series A Preferred Stock are cumulative and payable quarterly in arrears on the 15th day of January, April, July and October of each year or, if not a business day, the next succeeding business day to holders of record on the close of business on the record date set by our board of directors and declared by us.

Dividends to Series B Preferred Stockholders

Dividends on our Series B Preferred Stock are declared quarterly in an amount equal to $1.78 per share each year ($0.45 per share per quarter) to Series B Preferred Stockholders, which is equivalent to 7.125% per annum on the $25.00 liquidation preference per share of Series B Preferred Stock. Dividends on the Series B Preferred Stock are cumulative and payable quarterly in arrears on the 15th day of January, April, July and October of each year or, if not a business day, the next succeeding business day to holders of record on the close of business on the record date set by our board of directors and declared by us.

Tax Characteristics of Dividends

All common dividends in the years ended December 31, 2022 and 2021, and a portion of common dividends issued in the year ended December 31, 2020, were issued as stock dividends, which do not represent taxable dividends to shareholders for U.S. federal income tax purposes. The cash distributions paid to holders of common stock in the first half of the year ended December 31, 2020 were considered 100% return of capital. All dividends paid on the Series A Preferred Stock and Series B Preferred Stock (first payment was made in January 2022) were considered 100% return of capital for income for tax purposes for the years ended December 31, 2022, 2021 and 2020.

Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In light of the amendment to the Credit Facility on August 10, 2020, which provides that we may not repurchase shares of our common stock until the Commencement Quarter, the Board suspended repurchases under the SRP effective August 14, 2020. No further repurchase requests under the SRP may be made unless and until the SRP is reactivated. For additional information on the SRP, see *Note 8 — Stockholders' Equity* to our consolidated financial statements included in this Annual Report on Form 10-K.

The following table summarizes our SRP activity for the period presented.

	Number of Common Shares Repurchased	Average Price per Share
Cumulative repurchases as of December 31, 2021	4,896,620	$ 20.60
Year ended December 31, 2022	—	—
Cumulative repurchases as of December 31, 2022	4,896,620	20.60

Item 6. [Reserved].

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

The following discussion and analysis should be read in conjunction with the accompanying consolidated financial statements. The following information contains forward-looking statements, which are subject to risks and uncertainties. Should one or more of these risks or uncertainties materialize, actual results may differ materially from those expressed or implied by the forward-looking statements. Please see "Forward-Looking Statements" elsewhere in this Annual Report on Form 10-K for a description of these risks and uncertainties.

Overview

We are an externally managed real estate investment trust for U.S. federal income tax purposes ("REIT") that focuses on acquiring and managing a diversified portfolio of healthcare-related real estate focused on medical office and other healthcare-related buildings and senior housing operating properties. Prior to December 31, 2021, we had three reportable segments 1) Former MOBs, 2) Former NNN and 3) SHOPs. As a result of strategic property divestitures in our Former NNN segment, and transitions of certain properties reported in our Former NNN segment into our SHOP segment, we have combined the properties in our Former NNN segment with the properties in our Former MOB segment to form a single set of MOBs. As a result, effective December 31, 2021 we have determined that we have two reportable segments, with activities related to investing in MOBs and SHOPs. All prior periods presented in this Annual Report on Form 10-K have been conformed to the presentation of our new reportable segment structure. As of December 31, 2022, we owned 202 properties located in 34 states and comprised of 9.1 million rentable square feet.

Substantially all of our business is conducted through the OP, a Delaware limited partnership, and its wholly owned subsidiaries. Our Advisor manages our day-to-day business with the assistance of our Property Manager. Our Advisor and Property Manager are under common control with AR Global and these related parties receive compensation and fees for providing services to us. We also reimburse these entities for certain expenses they incur in providing these services to us. The Special Limited Partner, which is also under common control with AR Global, also has an interest in us through ownership of interests in our OP.

We operate in two reportable business segments for management and financial reporting purposes: MOBs and SHOPs. In our MOB operating segment, we own, manage, and lease single and multi-tenant MOBs where tenants are required to pay their pro rata share of property operating expenses, which may be subject to expense exclusions and floors, in addition to base rent. Our Property Manager or third party managers manage our MOBs. In our SHOP segment, we invest in seniors housing properties using the RIDEA structure. As of December 31, 2022, we had four eligible independent contractors operating 52 SHOPs (including two land parcels). All of our properties across both business segments are located throughout the United States.

We have declared quarterly dividends entirely in shares of our common stock since October 2020 in order to preserve our liquidity in response to the COVID-19 pandemic.

Management Update on the Impacts of the COVID-19 Pandemic

The COVID-19 global pandemic created several risks and uncertainties that have had and may continue to have an impact on our business, including our financial condition, future results of operations and our liquidity. The extent to which the ongoing global COVID-19 pandemic, including the outbreaks that have occurred and may occur in markets where we own properties, impacts our operations and those of our tenants and third-party operators, will continue to depend on future developments, including the scope, severity and duration of the pandemic, and the actions taken to contain the COVID-19 pandemic or treat its impact, among others, which are highly uncertain and cannot be predicted with confidence, but could be material.

As of December 31, 2022, our MOB segment had an occupancy of 90.4% with a weighted-average remaining lease term of 4.9 years, (based on annualized straight-line rent as of December 31, 2022), and our SHOP segment had an occupancy of 75.1% weighted by unit count. Since the second quarter of 2021, we experienced relative stability in occupancy and operating costs in our SHOP portfolio, however, during the year ended December 31, 2022, it became necessary to increase our use of temporary contract labor and agencies, and the amount we pay for wages, including overtime wages, and bonuses, in response to a shortage of workers, largely due to, among other things, the spread of more transmissible COVID-19 variants, increased inflation raising the cost of labor generally and lack of qualified personnel that we are able to employ on a permanent basis. Utilization of contract labor and agencies for care providers increased operating costs in our SHOP segment for the year ended December 31, 2022, by $6.1 million as compared to the year ended December 31, 2021. Future developments in the course of the pandemic, inflation increases, labor shortages and supply chain disruptions may cause further adverse impacts on our occupancy and cost levels. Occupancy and operating costs in our MOB segment were relatively stable during these quarters.

The negative impact of the pandemic on our results of operations and cash flows has impacted and could continue to impact our ability to comply with covenants in our Credit Facility, and the amount available for future borrowings thereunder. For example, we would have been in default of a covenant contained in the Credit Facility requiring us to maintain a certain minimum fixed charge coverage ratio for the fiscal quarter ended June 30, 2022 of 1.50 to 1.00. As a result, we entered into the Fourth Amendment to our Credit Facility on August 11, 2022, in which the lenders agreed to reduce this covenant to permit us to avoid any Default or Event of Default. Specifically, this covenant was reduced to (a) 1.20 to 1.00 for the period commencing with the quarter ended June 30, 2022 through the quarter ending June 30, 2023, (b) 1.35 to 1.00 for the period commencing with the quarter ending September 30, 2023 through the quarter ending December 31, 2023 and (c) 1.45 to 1.00 for the period commencing with the quarter ending March 31, 2024 and continuing thereafter, among other changes (see Liquidity and Capital Resources section below and see Note 5 — *Credit Facilities, Net* to our consolidated financial statements included in this Annual Report on Form 10-K for additional information).

Prospectively, based upon our current expectations, we believe our operating results through June 30, 2023 will allow us to comply with these covenants. However, we believe our operating results may not be sufficient to comply with the increased Fixed Charge Coverage Ratio, which increases from 1.20:1.00 to 1.35:1.00 commencing with the quarter ending September 30, 2023 and thereafter. Absent a waiver or modification from the lender group, failure to comply with the Fixed Charge Coverage Ratio would constitute an Event of Default and the balance of the Credit Facility would be due and payable. We have obtained such waivers and modifications from the lender group in the past, but there can be no assurance that such a waiver or modification will be granted in future periods. Additionally, we are exploring long-term secured financing opportunities, utilizing some or all of our properties as collateral, the proceeds from which we believe will be sufficient to repay all amounts outstanding under the Credit Facility, which was $180.0 million as of December 31, 2022 ($200.0 million including the $20.0 million drawn subsequent to December 31, 2022, see Note 17 — *Subsequent Events* for details). There can be no assurance these opportunities will result in definitive agreements on favorable terms, or at all.

For additional information on the risks and uncertainties associated with the COVID-19 pandemic, please see Item 1A. *"Risk Factors — We are subject to risks associated with a pandemic, epidemic or outbreak of a contagious disease, such as the ongoing global COVID-19 pandemic"* included in this Annual Report on Form 10-K for the year ended December 31, 2022.

Rent Collections

We experienced delays in rent collection in the second, third and fourth quarters of 2020 and the first quarter of 2021. We took several steps to mitigate the impact of the pandemic on our business. We were in direct contact with our tenants and operators when the crisis began, cultivating open dialogue and deepening the fundamental relationships that we have carefully developed through prior transactions and historic operations. We achieved mutually agreeable solutions with our MOB tenants and in some cases, during the year ended December 31, 2020, we executed lease amendments wherein we agreed to defer payment. Based on this approach and the overall financial strength and creditworthiness of our tenants, we believe that we have had positive results in our cash rent collections during this pandemic. During the years ended December 31, 2022 and 2021, we did not enter into any rent deferral agreements with any of our tenants and all amounts previously deferred under prior rent deferral agreements have been collected.

We collected approximately 100% of the original cash rent due for the fourth quarter of 2020 and throughout 2021 and 2022 in our MOB segment. Cash rental payments for our 52 SHOPs is primarily paid by the residents through private payer insurance or directly, and to a lesser extent, by government reimbursement programs such as Medicaid and Medicare, therefore we have not provided the amount of quarterly cash rent collected for our SHOP segment.

"Original cash rent" refers to contractual rents on a cash basis due from tenants as stipulated in their original executed lease agreement at inception or as amended, prior to any rent deferral agreement. We calculate "original cash rent collections" by comparing the total amount of rent collected during the period to the original cash rent due. Total rent collected during the period includes both original cash rent due and payments made by tenants pursuant to rent deferral agreements. Eliminating the impact of deferred rent paid, we collected nearly 100% of original cash rent due for each quarter of 2021 and 2022.

A deferral agreement is an executed or approved amendment to an existing lease to defer a certain portion of cash rent due to a future period. During the year ended December 31, 2020, we granted rent deferrals for an aggregate of $0.4 million or less than 1% of original cash rent due for the year. No additional rent was deferred during the years ended December 31, 2022 and 2021.

We have also granted rent concessions which serve to reduce revenue in our SHOP segment. We offered $3.3 million, $2.4 million, and $0.4 million of rent concessions during the years ended December 31, 2022, 2021 and 2020, respectively.

Seniors Housing Properties

During the year ended December 31, 2022, we experienced a significant increase in labor costs in our SHOP segment, largely due to, among other things, increased inflation raising the cost of labor generally and a lack of qualified personnel that we are able to employ on a permanent basis. As a result, our third party operators were forced to increase their use of temporary contract labor and agencies in our SHOP segment. In our SHOP segment, we recorded $6.1 million in temporary contract labor and agency-related costs for care providers for the year ended December 31, 2022, as compared to almost no temporary contract labor and agency-related costs for care providers for the year ended December 31, 2021. Using temporary contract labor and agencies is typically more costly than internal staffing supplied by our third party operators. As a result of the increased use of temporary contract labor and agencies, as well as the continuing impact of the national labor shortage, the amounts we incurred for salaries, wages, overtime and bonuses to meet our third parties' labor needs in our SHOP segment continued to increase during the year ended December 31, 2022 as compared to the year ended December 31, 2021. Because occupancy levels have not yet recovered to their pre-pandemic rates (as noted in the table below) and resident fees have not increased enough to counteract these lower occupancy rates, our results of operations in our SHOP segment have been significantly adversely affected by the increase in labor costs. There is no guarantee the occupancy levels in our SHOP segment will increase and return to their pre-pandemic levels, that we will be able to raise resident fee levels at rates that are commensurate with these increases in labor costs or that we will reduce our reliance on contract labor.

Beginning in March 2020, the COVID-19 pandemic and measures to prevent its spread began to affect us in a number of ways. Occupancy in our SHOP portfolio has trended lower since December 31, 2019 to a low of 72.0% as of March 31, 2021 and has subsequently begun to stabilize. As of December 31, 2022, occupancy in our SHOP segment reached 75.1%. We have also continued to experience lower inquiry volumes and reduced in-person tours. These and other impacts of the COVID-19 pandemic have affected and could continue to affect our ability to fill vacancies. The below table presents SHOP occupancy since the onset of the COVID-19 pandemic in March 2020:

As of	Number of Properties [(1)]	Rentable Units	Percentage Leased
December 31, 2019	59	4,926	85.1%
March 31, 2020	63	5,198	84.4%
June 30, 2020	63	5,198	79.2%
September 30, 2020	67	5,350	77.4%
December 31, 2020	59	4,878	74.5%
March 31, 2021	55	4,682	72.0%
June 30, 2021	54	4,530	73.2%
September 30, 2021	54	4,494	74.3%
December 31, 2021	54	4,494	74.1%
March 31, 2022	50	4,378	75.9%
June 30, 2022	50	4,374	76.3%
September 30, 2022	50	4,374	75.8%
December 31, 2022	50	4,374	75.1%

(1) Exclusive of two land parcels.

The declines in revenue we experienced during the years ended December 31, 2022 and 2021, as compared to the year ended December 31, 2020, were primarily attributable to the decline in occupancy in or SHOP segment, as noted in the table above, and our SHOP disposals which reduced the average number of rentable units over the periods, partially offset by recovering occupancy and increased rental rates on some of our properties which were effective January 1, 2022. In addition, although operating costs began to rise materially, including for services, labor and personal protective equipment and other supplies as early as March 2020, during the year ended December 31, 2022, these trends became more prominent as our third party operators relied more on the use of contract labor and agencies and had to increase the amounts we incur for salaries, wages, overtime and bonuses, as noted above. At the SHOPs, we generally bear these cost increases, which were partially offset by funds received under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), and to a lesser extent, cost recoveries for personal protective equipment from residents. See below for additional information on the CARES Act. There can be no assurance, however, that future developments in the course of the pandemic, inflation increases, labor shortages and supply disruptions will not cause further adverse impacts to our occupancy, revenues and cost levels, and these trends may continue to impact us and have a material adverse effect on our revenues and net income in future quarters. We believe that our vaccination participation achieved in 2021 for both residents and staff populations have mitigated certain adverse impacts of COVID-19. Furthermore, as infections decline and more vaccinations and boosters are administered during 2023, our occupancy may further increase. However, there can be no assurance as to when or if we will be able to approach pre-pandemic levels of occupancy.

The pandemic raised the risk of an elevated level of resident exposure to illness and restrictions on move-ins at our SHOPs, and increased the general level of frailty for our incoming residents, which has and could also continue to adversely impact resident length of stay, occupancy and revenues, as well as increase costs. We believe that the actions we have taken help reduce, but do not eliminate, the incidences of COVID-19 at our properties. Any incidences, or the perception that outbreaks may occur, could materially and adversely affect our revenues and net income, as well as cause reputational harm to us and our tenants, managers and operators.

The extent to which the global COVID-19 pandemic, including the outbreaks that have occurred and may occur in markets where we own properties, impacts our operations and those of our tenants and third-party operators, will continue to depend on future developments, including the scope, severity and duration of the pandemic, and the actions taken to contain the COVID-19 or treat its impact, among others, which are highly uncertain and cannot be predicted with confidence, but could be material.

On March 27, 2020, the CARES Act was signed into law providing, among other things, funding to Medicare providers in order to provide financial relief during the COVID-19 pandemic. Funds provided under the program were to be used for the preparation, prevention, and medical response to COVID-19, and were designated to reimburse providers for healthcare related expenses and lost revenues attributable to COVID-19. During the years ended December 31, 2022, 2021, and 2020, we received $4.5 million, $5.1 million and $3.6 million, respectively, from CARES Act grants. For accounting purposes, we treat the funds as grant contributions from the government and the full amounts were recognized as reductions of property operating and maintenance expenses in our consolidated statement of operations during the years ended December 31, 2022, 2021 and 2020.

We do not anticipate that any further funds under the CARES Act will be received, and there can be no assurance that the program will be extended or any further amounts received under currently effective or potential future government programs.

Significant Accounting Estimates and Critical Accounting Policies

Set forth below is a summary of the significant accounting estimates and critical accounting policies that management believes are important to the preparation of our consolidated financial statements. Certain of our accounting estimates are particularly important for an understanding of our financial position and results of operations and require the application of significant judgment by our management. As a result, these estimates are subject to a degree of uncertainty. These significant accounting estimates and critical accounting policies include:

Impacts of the COVID-19 Pandemic

As discussed above we took a proactive approach to achieve mutually agreeable solutions with our tenants and in some cases, in the year ended December 31, 2020, we executed lease amendments providing for deferral of rent.

For accounting purposes, in accordance with ASC 842: Leases, normally a company would be required to assess a lease modification to determine if the lease modification should be treated as a separate lease and if not, modification accounting would be applied which would require a company to reassess the classification of the lease (including leases for which the prior classification under ASC 840 was retained as part of the election to apply the package of practical expedients allowed upon the adoption of ASC 842, which doesn't apply to leases subsequently modified). However, in light of the COVID-19 pandemic in which many leases were modified, the FASB and SEC provided relief that allowed companies to make a policy election as to whether they treat COVID-19 related lease amendments as a provision included in the pre-concession arrangement, and therefore, not a lease modification, or to treat the lease amendment as a modification. In order to be considered COVID-19 related, cash flows must be substantially the same or less than those prior to the concession. For COVID-19 relief qualified changes, there are two methods to potentially account for such rent deferrals or abatements under the relief, (1) as if the changes were originally contemplated in the lease contract or (2) as if the deferred payments are variable lease payments contained in the lease contract.

For all other lease changes that did not qualify for FASB relief, we would be required to apply modification accounting including assessing classification under ASC 842. Some, but not all of our lease modifications qualified for the FASB relief. In accordance with the relief provisions, instead of treating these qualifying leases as modifications, we elected to treat the modifications as if previously contained in the lease and recast rents receivable prospectively (if necessary). Under that accounting, for modifications that were deferrals only, there would be no impact on overall rental revenue and for any abatement amounts that reduced total rent to be received, the impact would be recognized ratably over the remaining life of the lease. For leases not qualified for this relief, we applied modification accounting and determined that there were no changes in the current classification of our leases impacted by negotiations with our tenants.

Revenue Recognition

Our revenues, which are derived primarily from lease contracts, include rent received from tenants in our MOB segment. As of December 31, 2022 these leases had a weighted average remaining lease term of 4.9 years. Rent from tenants in our MOB segment (as discussed below) is recorded in accordance with the terms of each lease on a straight-line basis over the initial term of the lease. Because many of the leases provide for rental increases at specified intervals, straight-line basis accounting requires us to record a receivable for, and include in revenue from tenants on a straight-line basis, unbilled rent receivables that we will only receive if the tenant makes all rent payments required through the expiration of the initial term of the lease. When we acquire a property, the acquisition date is considered to be the commencement date for purposes of this calculation. For new leases after acquisition, the commencement date is considered to be the date the tenant takes control of the space. For lease modifications, the commencement date is considered to be the date the lease modification is executed. We defer the revenue related to lease payments received from tenants in advance of their due dates. Pursuant to certain of our lease agreements, tenants are required to reimburse us for certain property operating expenses, in addition to paying base rent, whereas under certain other lease agreements, the tenants are directly responsible for all operating costs of the respective properties. Under ASC 842, we have elected to report combined lease and non-lease components in a single line "Revenue from tenants." For expenses paid directly by the tenant, under both ASC 842 and 840, we have reflected them on a net basis.

Our revenues also include resident services and fee income primarily related to rent derived from lease contracts with residents in the Company's SHOP segment, held using a structure permitted under RIDEA and to a lesser extent, fees for ancillary services performed for SHOP residents, which are generally variable in nature. Rental income from residents in our SHOP segment is recognized as earned when services are provided. Residents pay monthly rent that covers occupancy of their unit and basic services, including utilities, meals and some housekeeping services. The terms of the leases are short term in nature, primarily month-to-month. Fees for ancillary services are recorded in the period in which the services are performed.

We defer the revenue related to lease payments received from tenants and residents in advance of their due dates. Pursuant to certain of our lease agreements, tenants are required to reimburse us for certain property operating and maintenance expenses related to non-SHOP assets (recorded in revenue from tenants), in addition to paying base rent, whereas under certain other lease agreements, the tenants are directly responsible for all operating and maintenance costs of the respective properties.

We continually review receivables related to rent and unbilled rents receivable and determine collectability by taking into consideration the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area in which the property is located. Under the leasing standards, we are required to assess, based on credit risk only, if it is probable that we will collect virtually all of the lease payments at lease commencement date and it must continue to reassess collectability periodically thereafter based on new facts and circumstances affecting the credit risk of the tenant. Partial reserves, or the ability to assume partial recovery are no longer permitted. If we determine that it is probable it will collect virtually all of the lease payments (rent and common area maintenance), the lease will continue to be accounted for on an accrual basis (i.e. straight-line). However, if we determine it is not probable that we will collect virtually all of the lease payments, the lease will be accounted for on a cash basis and a full reserve would be recorded on previously accrued amounts in cases where it was subsequently concluded that collection was not probable. Cost recoveries from tenants are included in operating revenue from tenants in accordance with accounting rules, on the accompanying consolidated statements of operations and comprehensive income (loss) in the period the related costs are incurred, as applicable.

Under ASC 842, which was adopted effective on January 1, 2019, uncollectable amounts are reflected as reductions in revenue. Under ASC 840, we recorded such amounts as bad debt expense as part of property operating expenses. During the years ended December 31, 2022, 2021 and 2020 such amounts were $3.2 million, $1.1 million and $2.7 million, respectively. Approximately $1.3 million and $1.0 million in the years ended December 31, 2022 and 2020, respectively, related to previously disposed properties. There were no significant write-off's related to previously disposed properties during the year ended December 31, 2021.

Investments in Real Estate

Investments in real estate are recorded at cost. Improvements and replacements are capitalized when they extend the useful life or improve the productive capacity of the asset. Costs of repairs and maintenance are expensed as incurred.

At the time an asset is acquired, we evaluate the inputs, processes and outputs of the asset acquired to determine if the transaction is a business combination or asset acquisition. If an acquisition qualifies as a business combination, the related transaction costs are recorded as an expense in the consolidated statements of operations and comprehensive loss. If an acquisition qualifies as an asset acquisition, the related transaction costs are generally capitalized and subsequently amortized over the useful life of the acquired assets. See the "*Purchase Price Allocation"* section below for a discussion of the initial accounting for investments in real estate.

Disposal of real estate investments that represent a strategic shift in operations that will have a major effect on our operations and financial results are required to be presented as discontinued operations in the consolidated statements of operations. No properties were presented as discontinued operations during the years ended December 31, 2022, 2021 or 2020. Properties that are intended to be sold are to be designated as "held for sale" on the consolidated balance sheets at the lesser of carrying amount or fair value less estimated selling costs when they meet specific criteria to be presented as held for sale, most significantly that the sale is probable within one year. We evaluate probability of sale based on specific facts including whether a sales agreement is in place and the buyer has made significant non-refundable deposits. Properties are no longer depreciated when they are classified as held for sale. There were no real estate investments held for sale as of December 31, 2022 or December 31, 2021.

Purchase Price Allocation

In both a business combination and an asset acquisition, we allocate the purchase price of acquired properties to tangible and identifiable intangible assets or liabilities based on their respective fair values. Tangible assets may include land, land improvements, buildings, fixtures and tenant improvements on an as if vacant basis. Intangible assets may include the value of in-place leases and above-and below-market leases and other identifiable assets or liabilities based on lease or property specific characteristics. In addition, any assumed mortgages receivable or payable and any assumed or issued non-controlling interests (in a business combination) are recorded at their estimated fair values. In allocating the fair value to assumed mortgages, amounts are recorded to debt premiums or discounts based on the present value of the estimated cash flows, which is calculated to account for either above or below-market interest rates. In allocating the fair value to any assumed or issued non-controlling interests, amounts are recorded at their fair value at the close of business on the acquisition date. In a business combination, the difference between the purchase price and the fair value of identifiable net assets acquired is either recorded as goodwill or as a bargain purchase gain. In an asset acquisition, the difference between the acquisition price (including capitalized transaction costs) and the fair value of identifiable net assets acquired is allocated to the non-current assets. All acquisitions during the years ended December 31, 2022, 2021 and 2020 were accounted for as asset acquisitions. We acquired four properties during the year ended December 31, 2022.

For acquired properties with leases classified as operating leases, we allocate the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed, based on their respective fair values. In making estimates of fair values for purposes of allocating purchase price, we utilize a number of sources, including independent appraisals that may be obtained in connection with the acquisition or financing of the respective property and other market data. We also consider information obtained about each property as a result of our pre-acquisition due diligence in estimating the fair value of the tangible and intangible assets acquired and intangible liabilities assumed.

Tangible assets include land, land improvements, buildings, fixtures and tenant improvements on an as-if vacant basis. We utilize various estimates, processes and information to determine the as-if vacant property value. We estimate the fair value using data from appraisals, comparable sales, discounted cash flow analysis and other methods. Fair value estimates are also made using significant assumptions such as capitalization rates, fair market lease rates and land values per square foot.

Identifiable intangible assets include amounts allocated to acquired leases for above- and below-market lease rates and the value of in-place leases. Factors considered in the analysis of the in-place lease intangibles include an estimate of carrying costs during the expected lease-up period for each property, taking into account current market conditions and costs to execute similar leases. In estimating carrying costs, we include real estate taxes, insurance and other operating expenses and estimates of lost rentals at contract rates during the expected lease-up period, which typically ranges from six to 24 months. We also estimate costs to execute similar leases including leasing commissions, legal and other related expenses.

Above-market and below-market lease values for acquired properties are initially recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining initial term of the lease for above-market leases and the remaining initial term plus the term of any below-market fixed rate renewal options for below-market leases.

The aggregate value of intangible assets related to customer relationship, as applicable, is measured based on our evaluation of the specific characteristics of each tenant's lease and our overall relationship with the tenant. Characteristics considered by us in determining these values include the nature and extent of its existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals, among other factors. We did not record any intangible asset amounts related to customer relationships during the years ended December 31, 2022 and 2021.

Accounting for Leases

Lessor Accounting

In accordance with the lease accounting standard, all of our leases as lessor prior to adoption were accounted for as operating leases. We evaluate new leases originated after the adoption date (by us or by a predecessor lessor/owner) pursuant to the new guidance where a lease for some or all of a building is classified by a lessor as a sales-type lease if the significant risks and rewards of ownership reside with the tenant. This situation is met if, among other things, there is an automatic transfer of title during the lease, a bargain purchase option, the non-cancelable lease term is for more than a major part of the remaining economic useful life of the asset (e.g., equal to or greater than 75%), the present value of the minimum lease payments represents substantially all (e.g., equal to or greater than 90%) of the leased property's fair value at lease inception, or the asset is so specialized in nature that it provides no alternative use to the lessor (and therefore would not provide any future value to the lessor) after the lease term. Further, such new leases would be evaluated to consider whether they would be failed sale-leaseback transactions and accounted for as financing transactions by the lessor. As of December 31, 2022 and 2021, we did not have any leases as a lessor that would be considered as sales-type leases or financings under sale-leaseback rules.

As a lessor of real estate, we elected, by class of underlying assets, to account for lease and non-lease components (such as tenant reimbursements of property operating and maintenance expenses) as a single lease component as an operating lease because (a) the non-lease components have the same timing and pattern of transfer as the associated lease component; and (b) the lease component, if accounted for separately, would be classified as an operating lease. Additionally, only incremental direct leasing costs may be capitalized under the accounting guidance. Indirect leasing costs in connection with new or extended tenant leases, if any, are being expensed.

Lessee Accounting

We are also the lessee under certain land leases which will continue to be classified as operating leases under transition elections unless subsequently modified. These leases are reflected on the consolidated balance sheets as of December 31, 2022 and 2021, and the rent expense is reflected on a straight-line basis over the lease term in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2022, 2021 and 2020.

For lessees, the accounting standard requires the application of a dual lease classification approach, classifying leases as either operating or finance leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. Lease expense for operating leases is recognized on a straight-line basis over the term of the lease, while lease expense for finance leases is recognized based on an effective interest method over the term of the lease. Also, lessees must recognize a right-of-use asset ("ROU") and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Further, certain transactions where at inception of the lease the buyer-lessor accounted for the transaction as a purchase of real estate and a new lease, may now be required to have symmetrical accounting to the seller-lessee if the transaction was not a qualified sale-leaseback and accounted for as a financing transaction. For additional information and disclosures related to our operating leases, see *Note 16* — *Commitments and Contingencies* to the consolidated financial statements included in this Annual Report on Form 10-K.

Impairment of Long-Lived Assets

When circumstances indicate the carrying value of a property may not be recoverable, we review the property for impairment. This review is based on an estimate of the future undiscounted cash flows expected to result from the property's use and eventual disposition. These estimates consider factors such as expected future operating income, market and other applicable trends and residual value, as well as the effects of leasing demand, competition and other factors. If an impairment exists, due to the inability to recover the carrying value of a property, we would recognize an impairment loss in the consolidated statement of operations and comprehensive (loss) to the extent that the carrying value exceeds the estimated fair value of the property for properties to be held and used. For properties held for sale, the impairment loss recorded would equal the adjustment to fair value less estimated cost to dispose of the asset. These assessments have a direct impact on net income because recording an impairment loss results in an immediate negative adjustment to net earnings.

Depreciation and Amortization

Depreciation is computed using the straight-line method over the estimated useful lives of up to 40 years for buildings, 15 years for land improvements, 7 to 10 years for fixtures and improvements, and the shorter of the useful life or the remaining lease term for tenant improvements and leasehold interests.

Construction in progress, including capitalized interest, insurance and real estate taxes, is not depreciated until the development has reached substantial completion. The value of certain other intangibles such as certificates of need in certain jurisdictions are amortized over the expected period of benefit (generally the life of the related building).

The value of in-place leases, exclusive of the value of above-market and below-market in-place leases, is amortized to expense over the remaining periods of the respective leases.

The value of customer relationship intangibles, if any, is amortized to expense over the initial term and any renewal periods in the respective leases, but in no event does the amortization period for intangible assets exceed the remaining depreciable life of the building. If a tenant terminates its lease, the unamortized portion of the in-place lease value and customer relationship intangibles is charged to expense.

Assumed mortgage premiums or discounts are amortized as an increase or reduction to interest expense over the remaining terms of the respective mortgages.

Above-and Below-Market Lease Amortization

Capitalized above-market lease values are amortized as a reduction of revenue from tenants over the remaining terms of the respective leases and the capitalized below-market lease values are amortized as an increase to revenue from tenants over the remaining initial terms plus the terms of any below-market fixed rate renewal options of the respective leases. If a tenant with a below-market rent renewal does not renew, any remaining unamortized amount will be taken into income at that time.

Capitalized above-market ground lease values are amortized as a reduction of property operating expense over the remaining terms of the respective leases. Capitalized below-market ground lease values are amortized as an increase to property operating expense over the remaining terms of the respective leases and expected below-market renewal option periods.

Equity-Based Compensation

The Company has a stock-based incentive award program for its directors, which is accounted for under the guidance of share based payments. The cost of services received in exchange for these stock awards is measured at the grant date fair value of the award and the expense for such awards is included in general and administrative expenses and is recognized over the service period (i.e., vesting) required or when the requirements for exercise of the award have been met.

CARES Act Grants

On March 27, 2020, the CARES Act was signed into law and it provides funding to Medicare providers in order to provide financial relief during the COVID-19 pandemic. Funds provided under the program were to be used for the preparation, prevention, and medical response to COVID-19, and were designated to reimburse providers for healthcare related expenses and lost revenues attributable to COVID-19. During the years ended December 31, 2022, 2021 and 2020 we received \$4.5 million, \$5.1 million and \$3.6 million in funding from CARES Act grants, respectively. For accounting purposes, the CARES Act funds are treated as a grant contribution from the government. The funding we received was recognized as a reduction of property operating and maintenance expenses in our consolidated statements of operations to offset the negative impacts of COVID-19. We do not anticipate that any further funds under the CARES Act will be received, and there can be no assurance that the program will be extended or any further amounts received under currently effective or potential future government programs.

Recently Issued Accounting Pronouncements

See *Note 2 — Summary of Significant Accounting Policies - Recently Issued Accounting Pronouncements* to the consolidated financial statements included in this Annual Report on Form 10-K for further discussion.

Results of Operations

Below is a discussion of our results of operations for the years ended December 31, 2022 and 2021. Please see the "Results of Operations" section located on page 60 under Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2021 for a discussion of our results of operations for the year ended December 31, 2020 and year-to-date comparisons between December 31, 2021 and 2020.

Same Store Properties

Information based on Same Store Properties, Acquired Properties and Disposed Properties (as each are defined below) allows us to evaluate the performance of our portfolio based on a consistent population of properties owned for the entire period of time covered. As of December 31, 2022, we owned 202 properties. There were 181 properties (our "Same Store Properties") owned for the entire years ended December 31, 2022 and 2021, including two land parcels. Since January 1, 2021 and through December 31, 2022, we acquired 21 properties (our "Acquired Properties") and disposed of 12 properties (our "Disposed Properties").

The following table presents a roll-forward of our properties owned from January 1, 2021 to December 31, 2022:

	MOB	SHOP	Total
Number of properties, December 31, 2020	132	61	193
Acquisition activity during the year ended December 31, 2021	17	—	17
Disposition activity during the year ended December 31, 2021	(3)	(5)	(8)
Number of properties, December 31, 2021	**146**	**56**	**202**
Acquisition activity during the year ended December 31, 2022	4	—	4
Disposition activity during the year ended December 31, 2022	—	(4)	(4)
Number of properties, December 31, 2022	**150**	**52**	**202**
Number of Same Store Properties [(1)]	**129**	**52**	**181**
Number of Acquired Properties	**21**	**—**	**21**
Number of Disposed Properties	**3**	**9**	**12**

(1) Includes the acquisition of a land parcel adjacent to an existing property which is not considered an Acquisition.

Comparison of the Years Ended December 31, 2022 and 2021

Net loss attributable to common stockholders was $93.3 million and $92.9 million for the years ended December 31, 2022 and 2021, respectively. The following table shows our results of operations for the years ended December 31, 2022 and 2021 and the year to year change by line item of the consolidated statements of operations:

	Year Ended December 31,		Increase (Decrease)
(Dollar amounts in thousands)	**2022**	**2021**	**$**
Revenue from tenants	$ 335,846	$ 329,355	$ 6,491
Operating expenses:			
Property operating and maintenance	213,444	205,813	7,631
Impairment charges	27,630	40,951	(13,321)
Operating fees to related parties	25,353	24,206	1,147
Acquisition and transaction related	1,484	2,714	(1,230)
General and administrative	17,287	16,828	459
Depreciation and amortization	82,064	79,926	2,138
Total expenses	367,262	370,438	(3,176)
Operating loss before gain on sale of real estate investments	(31,416)	(41,083)	9,667
Gain (loss) on sale of real estate investments	(125)	3,648	(3,773)
Operating loss	(31,541)	(37,435)	5,894
Other income (expense):			
Interest expense	(51,740)	(47,900)	(3,840)
Interest and other income	27	61	(34)
Gain on non-designated derivatives	3,834	37	3,797
Total other expenses	(47,879)	(47,802)	(77)
Loss before income taxes	(79,420)	(85,237)	5,817
Income tax expense	(201)	(203)	2
Net loss	(79,621)	(85,440)	5,819
Net loss attributable to non-controlling interests	135	260	(125)
Allocation for preferred stock	(13,799)	(7,762)	(6,037)
Net loss attributable to common stockholders	$ (93,285)	$ (92,942)	$ (343)

Net Operating Income

NOI is a non-GAAP financial measure used by us to evaluate the operating performance of our real estate portfolio. NOI is equal to revenue from tenants less property operating and maintenance expenses. NOI excludes all other financial statement amounts included in net income (loss) attributable to common stockholders. We believe NOI provides useful and relevant information because it reflects only those income and expense items that are incurred at the property level and presents such items on an unlevered basis. See *"Non-GAAP Financial Measures"* below for additional disclosure and a reconciliation, in the aggregate, of the NOI for the segments presented below to our net loss attributable to common stockholders.

Segment Results — Medical Office Buildings

The following table presents the components of NOI and the period to period change within our MOB segment for the years ended December 31, 2022 and 2021:

	Segment Same Store[1]			Acquisitions[2]			Dispositions[3]			Segment Total[4]		
	Year Ended December 31,		Increase (Decrease)	Year Ended December 31,		Increase (Decrease)	Year Ended December 31,		Increase (Decrease)	Year Ended December 31,		Increase (Decrease)
(Dollar amounts in thousands)	2022	2021	$	2022	2021	$	2022	2021	$	2022	2021	$
Revenue from tenants	$114,860	$113,342	$ 1,518	$ 16,576	$ 5,592	$ 10,984	$ 9	$ 3,933	$ (3,924)	$ 131,445	$ 122,867	$ 8,578
Less: Property operating and maintenance	32,484	30,659	1,825	3,482	1,291	2,191	(20)	2,530	(2,550)	35,946	34,480	1,466
NOI	$ 82,376	$ 82,683	$ (307)	$ 13,094	$ 4,301	$ 8,793	$ 29	$ 1,403	$ (1,374)	$ 95,499	$ 88,387	$ 7,112

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(1) Our MOB segment included 129 Same Store Properties.
(2) Our MOB segment included 21 Acquired Properties.
(3) Our MOB segment included three Disposed Properties.
(4) Our MOB segment consisted of 150 properties.

Revenue from tenants primarily reflects contractual rent received from tenants in our MOBs and operating expense reimbursements. These reimbursements generally increase in proportion with the increase in property operating and maintenance expenses in our MOB segment. Pursuant to many of our lease agreements in our MOBs, tenants are required to pay their pro rata share of property operating and maintenance expenses, which may be subject to expense exclusions and floors, in addition to base rent.

Revenue from Tenants

During the year ended December 31, 2022, revenue from tenants increased by $8.6 million in our MOB segment as compared to the year ended December 31, 2021, primarily as a result of increased revenue from tenants of $11.0 million generated from our Acquired Properties and increased revenue from tenants of $1.5 million from our Same Store Properties, partially offset by a decrease in revenue from tenants of $3.9 million from our Disposed Properties. The increase in revenue from our Same Store Properties was primarily attributable from increased operating expense reimbursement revenue from increased property, operating and maintenance expenses, partially offset by non-recoverable amounts from marginally lower occupancy in the year ended December 31, 2022 as compared to December 31, 2021.

Property Operating and Maintenance

Property operating and maintenance relates to the costs associated with our properties, including real estate taxes, utilities, repairs, maintenance, and unaffiliated third party property management fees. During the year ended December 31, 2022, property operating and maintenance costs in our MOB segment increased by $1.5 million as compared to the year ended December 31, 2021, primarily as a result of increased costs from our Acquired Properties of $2.2 million and increased costs from our Same Store Properties of $1.8 million. These increases were partially offset by decreased costs from our Disposed Properties of $2.6 million. The increase in property operating and maintenance expenses from our Same Store properties is primarily the result of the impacts of inflation on utility and maintenance costs, which are largely reimbursed by tenants.

Segment Results — Seniors Housing Operating Properties

The following table presents the revenue and property operating and maintenance expense and the period to period change within our SHOP segment for the years ended December 31, 2022 and 2021:

(Dollar amounts in thousands)	Segment Same Store (1)			Acquisitions (2)			Dispositions (3)			Segment Total		
	Year Ended December 31,		Increase (Decrease)	Year Ended December 31,		Increase (Decrease)	Year Ended December 31,		Increase (Decrease)	Year Ended December 31,		Increase (Decrease)
	2022	2021	$	2022	2021	$	2022	2021	$	2022	2021	$
Revenue from tenants	$ 204,443	$ 195,652	$ 8,791	$ —	$ —	$ —	$ (41)	$ 10,836	$ (10,877)	$204,402	$ 206,488	$ (2,086)
Less: Property operating and maintenance	174,516	159,432	15,084	—	—	—	2,983	11,901	(8,918)	177,499	171,333	6,166
NOI	$ 29,927	$ 36,220	$ (6,293)	$ —	$ —	$ —	$(3,024)	$ (1,065)	$ (1,959)	$ 26,903	$ 35,155	$ (8,252)

(1) Our SHOP segment included 52 Same Store Properties, including two land parcels.
(2) Our SHOP segment included zero Acquired Properties.
(3) Our SHOP segment included nine Disposed Properties.
(4) Our SHOP segment included 52 properties, including two land parcels.

Revenues from tenants within our SHOP segment are generated in connection with rent and services offered to residents depending on the level of care required, as well as fees associated with other ancillary services. Property operating and maintenance expenses relates to the costs associated with staffing to provide care for the residents in our SHOPs, as well as food, marketing, real estate taxes, management fees paid to our third party operators, and costs associated with maintaining the physical site.

Revenue from Tenants

During the year ended December 31, 2022, revenue from tenants decreased by $2.1 million in our SHOP segment as compared to the year ended December 31, 2021, which was primarily driven by a decrease in revenue from tenants of $10.9 million due to our Disposed Properties, partially offset by an increase in revenue from tenants of $8.8 million from our Same Store Properties.

The increase to our Same Store Properties revenue from tenants was primarily driven by higher monthly leasing rates in the year ended December 31, 2022, as compared to the year ended December 31, 2021. Our revenue from tenants also improved due to higher and recovering occupancy in the year ended December 31, 2022 as compared to lower and declining occupancy in the year ended December 31, 2021. For our Same Store Properties, average quarterly occupancy was 75.7% and 74.4% in the years ended December 31, 2022 and 2021, respectively. These increases were partially offset by an increase in rent concessions offered during the year ended December 31, 2022 of $3.2 million, as compared to $2.0 million in the year ended December 31, 2021.

We also previously generated a portion of our SHOP revenue from SNFs (which include ancillary revenue from non-residents) at two of our Same Store SHOPs and two of our Disposition SHOPs. This revenue was $3.5 million during the year ended December 31, 2021 and was not significant during the year ended December 31, 2022 as a result of transitioning our SNF units to other types of units at our Same Store Properties, as well as from disposing of our SNF in Wellington, Florida in May 2021. This property's results are presented in Disposed Properties in the table above. As a result of these unit transitions and dispositions, we do not expect ancillary revenue to be a significant source of revenue in future periods. Additionally, during the years ended December 31, 2022 and 2021, we recorded reductions in revenue related to bad debt of $3.2 million and $1.1 million, respectively. Approximately $1.3 million of bad debt expense recorded in the years ended December 31, 2022 was related to our Disposed Properties. There were no significant write-off's related to previously disposed properties during the year ended December 31, 2021.

Property Operating and Maintenance

During the year ended December 31, 2022, property operating and maintenance expenses increased $6.2 million in our SHOP segment as compared to the year ended December 31, 2021, primarily due to an increase in property operating and maintenance expenses of $15.1 million from our Same Store Properties, partially offset by a decrease in property operating and maintenance expenses of $8.9 million from our Disposed Properties.

Our Same Store properties operating and maintenance expenses increased significantly in the year ended December 31, 2022 compared to the year ended December 31, 2021, primarily from increased amounts incurred from contract labor and agencies, as well as amounts incurred for wages, including overtime and bonus amounts, paid to employees of our third-party operators. Contract labor and agency costs at our Same Store Properties increased $6.0 million, and amounts our third party operators pay for overtime wages and bonuses, as well as overall inflation on utilities and supplies increased our property maintenance and operating costs by $8.5 million in the year ended December 31, 2022. For additional information on the risks and uncertainties associated with increases in inflation and labor costs, see the *Inflation* section below and *Part 1 — Item 1A. Risk Factors* section of this Annual Report on Form 10-K.

The total increase in Same Store Properties operating and maintenance expenses was also impacted by the receipt of $4.5 million of funds through the CARES Act in the year ended December 31, 2022, as compared to $5.1 million during the year ended December 31, 2021, which offset costs incurred from the COVID-19 pandemic. Of the $4.5 million of CARES Act funds received by us in the year ended December 31, 2022, $3.9 million was recognized as a reduction to our Same Store Property operating and maintenance expenses in the table above, with the remainder attributable to our Disposed properties. Of the $5.1 million of CARES Act funds received in the year ended December 31, 2021, $4.5 million was attributable to our Same Store Property operating and maintenance expenses with the remainder attributable to our Disposed properties. There can be no assurance that the program will be extended or any further amounts received. See the "Overview — Management Update on the Impacts of the COVID-19 Pandemic" section above for additional information on the risks and uncertainties associated with the COVID-19 pandemic and management's actions taken in response.

Other Results of Operations

Impairment Charges

We incurred $27.6 million of impairment charges for the year ended December 31, 2022, of which $10.6 million related to seven skilled nursing facilities in our MOB segment located in Illinois, $15.1 million related to six held for use SHOP properties of eight total properties that we are actively marketing for sale and $1.8 million related to an MOB property located in Pennsylvania which we began marketing for sale in the fourth quarter of 2022. All of these impairment charges were recorded to reduce the carrying value of the properties to their fair values, respectively, as determined by estimated discounted cash flows over our intended holding periods.

We incurred $41.0 million of impairment charges for the year ended December 31, 2021. The impairment charges for the year ended December 31, 2021 related to a $0.9 million impairment on our Wellington property, which was recorded to adjust the carrying value to its fair value as determined by its purchase and sale agreement, a $6.1 million impairment related to an MOB property located in Sun City, Arizona, and $34.0 million related to our LaSalle properties.

See *Note 3* — *Real Estate Investments* to our consolidated financial statements in this Annual Report on Form 10-K for additional information on impairment charges.

Operating Fees to Related Parties

Operating fees to related parties increased $1.1 million to $25.4 million for the year ended December 31, 2022 from $24.2 million for the year ended December 31, 2021.

Our Advisor and Property Manager are paid for asset management and property management services for managing our properties on a day-to-day basis. We pay a fixed base management fee equal to $1.6 million per month, while the variable portion of the base management fee is equal, per month, to one twelfth of 1.25% of the cumulative net proceeds of any equity raised subsequent to February 17, 2017. Asset management fees increased $1.1 million to $21.8 million for the year ended December 31, 2022 from $20.7 million for the year ended December 31, 2021. The increase in the variable portion of the base management fee was a result of a full year of fees in 2022 for preferred equity offerings completed in May and October 2021, which increased the variable asset management fee in the year ended December 31, 2022 relative to the year ended December 31, 2021. There are no fees earned for stock dividend issuances. Variable asset management fees will further increase if we issue additional equity securities in the future. There were no incentive fees incurred in either of the years ended December 31, 2022 or 2021.

Property management fees increased $0.5 million to $4.2 million during the year ended December 31, 2022 from $3.7 million for the year ended December 31, 2021. Property management fees increase or decrease in direct correlation with gross revenues of the properties managed and depending on the mix of properties managed, as the fee payable for different types of properties varies.

See *Note 9* — *Related Party Transactions and Arrangements* to our consolidated financial statements found in this Annual Report on Form 10-K which provides detail on our asset and property management fees.

Acquisition and Transaction Related Expenses

Acquisition and transaction related expenses were $1.5 million for the year ended December 31, 2022 and $2.7 million for the year ended December 31, 2021. This decrease was due to certain transactions that occurred in the year ended December 31, 2021 which did not occur in the year ended December 31, 2022.

The acquisition and transaction related expenses incurred during the year ended December 31, 2022 consist of: (i) dead deal costs of $0.8 million, (ii) legal fees related to terminated SHOP operators of $0.5 million and (iii) mortgage repayment penalties of $0.2 million.

The acquisition and transaction related expenses incurred during the year ended December 31, 2021 consisted of: (i) the write-off of offering costs relating to the Preferred Stock Equity Line of $1.2 million (see *Note 8* — *Stockholder's Equity* for additional information), (ii) $0.8 million of litigation costs related to our Michigan dispositions which occurred in the first quarter of 2021, (iii) $0.5 million of dead deal and other miscellaneous costs and (iv) $0.2 million of settlement charges related to our Jupiter, Florida disposition which occurred in the second quarter of 2021.

General and Administrative Expenses

General and administrative expenses increased $0.5 million to $17.3 million for the year ended December 31, 2022 compared to $16.8 million for the year ended December 31, 2021, which includes $8.8 million and $8.4 million (net of a professional fee credit discussed below) for the years ended December 31, 2022 and 2021, respectively, incurred in expense reimbursements. The increase in general and administrative expenses was primarily driven by a professional fee credit of $1.0 million during the year ended December 31, 2021 related to an adjustment for 2020 bonuses. See *Note 9* – *Related Party Transactions and Arrangements* to our consolidated financial statements included in this Annual Report on Form 10-K for additional information.

Depreciation and Amortization Expenses

Depreciation and amortization expense increased $2.1 million to $82.1 million for the year ended December 31, 2022 from $79.9 million for the year ended December 31, 2021. The increase was due to our acquisitions of approximately $4.7 million, partially offset by a decrease in Same Store depreciation and amortization of $0.9 million primarily due to several intangible assets becoming fully amortized and a decrease due to dispositions of $2.0 million. The decrease in our Same Store depreciation and amortization was partially offset by $1.3 million of accelerated depreciation we recorded in the year ended December 31, 2022 on one MOB property in Florida which incurred damages as a result of Hurricane Ian as well as 15 SHOPs across the Midwest which suffered cold weather-related damages.

Gain on Sale of Real Estate Investments

During the third quarter of 2021, we began to actively market the LaSalle Properties for sale, and a non-binding letter of intent was signed in the fourth quarter of 2021 for an aggregate contract sales price of $12.4 million. We completed the sale of the LaSalle Properties in the first quarter of 2022 and, as a result, we recorded a loss on sale of $0.3 million for the year ended December 31, 2022. We had previously recorded $34.0 million of impairment charges on the LaSalle Properties in the year ended December 31, 2021. We also recorded a gain on sale of $0.2 million in the year ended December 31, 2022 related to the settlement of a lien on formerly disposed properties.

During the year ended December 31, 2021, we disposed of eight properties. The properties were sold for an aggregate contract price of $133.6 million, which resulted in an aggregate gain on sale of $3.6 million.

See Note 3 — *Real Estate Investments, Net* to our consolidated financial statements in this Annual Report on Form 10-K for additional information on the dispositions noted above.

Interest Expense

Interest expense increased by $3.8 million to $51.7 million for the year ended December 31, 2022 from $47.9 million for the year ended December 31, 2021. The increase in interest expense resulted from higher average interest rates of amounts outstanding under our Revolving Credit Facility during 2022, as compared to 2021. As of December 31, 2022 we had total borrowings of $1.1 billion, at a weighted average interest rate of 4.83% per year. As of December 31, 2021, we had total borrowings of $1.1 billion, at a weighted average interest rate of 3.44% per year.

Our interest expense in future periods will vary based on our level of future borrowings and the cost of borrowings (including current market rates) among other factors. Market interest rates have continued to increase throughout the year ended December 31, 2022 and subsequently thereafter. Our weighted average interest rate as of December 31, 2022 was higher than that as of December 31, 2021. We anticipate that interest expense for the year ended December 31, 2023 will exceed the $51.7 million expense recorded for the year ended December 31, 2022 if interest rates maintain current levels or continue to increase.

Interest and Other Income

Interest and other income includes income from our investment securities and interest income earned on cash and cash equivalents held during the period. Interest and other income was approximately $27,000 for the year ended December 31, 2022. Interest and other income was approximately $61,000 for the year ended December 31, 2021.

Gain on Non-Designated Derivatives

Gain on non-designated derivative instruments for the years ended December 31, 2022 and 2021 related to interest rate caps that are designed to protect us from adverse interest rate changes in connection with our Fannie Mae Master Credit Facilities, which have floating interest rates. The gain recorded in the year ended December 31, 2022 was due to significant increases in interest rates during the period and represents the change in value as well as $0.3 million of cash received from these interest rate caps. In prior years, these interest rate caps were not limiting interest expense and did not have significant changes in value, nor was any cash received.

Income Tax Expense

Income taxes generally relate to our SHOPs, which are leased to our TRS. We recorded income tax expense of $0.2 million and $0.2 million for the years ended December 31, 2022 and 2021, respectively

Because of our TRS's recent operating history of losses and the impacts of the COVID-19 pandemic on the results of operations of our SHOP assets, in the third quarter of 2020, we were not able to conclude that it is more likely than not we will realize the future benefit of our deferred tax assets and recorded a full valuation allowance. Since that time, our TRS's operating performance has not significantly improved and thus we have recorded a 100% valuation allowance on our net deferred tax assets through December 31, 2022. If and when we believe it is more likely than not that we will recover our deferred tax assets, we will reverse the valuation allowance as an income tax benefit in our consolidated statements of comprehensive income (loss).

Net Loss Attributable to Non-Controlling Interests

Net loss attributable to non-controlling interests was $0.1 million and $0.3 million for the years ended December 31, 2022 and 2021, respectively. These amounts represent the portion of our net income that is related to the Series A Preferred Units held by third parties (issued in connection with a property acquisition in September, 2021), Common OP Units held by third parties, and other non-controlling interest holders in our subsidiaries that own certain properties.

Allocation for Preferred Stock

Allocation for preferred stock was $13.8 million and $7.8 million for the years ended December 31, 2022 and 2021, respectively. These amounts represent the allocation of our net income that is related to holders of Series A Preferred Stock and holders of Series B Preferred Stock. The increase in the allocation for preferred stock is the result of additional shares of Series A Preferred Stock and Series B Preferred Stock issued in the year ended December 31, 2021, which were outstanding for a partial year in the year ended December 31, 2021 but which were outstanding for a full year in the year ended December 31, 2022.

Cash Flows from Operating Activities

During the year ended December 31, 2022, net cash provided by operating activities was $28.3 million. The level of cash flows provided by operating activities is affected by, among other things, the number of properties owned, the performance of those properties, the timing of interest payments and the amount of borrowings outstanding during the period, as well as the receipt of scheduled rent payments and the level of operating expenses. Cash inflows include non-cash items of $38.5 million (net loss of $79.6 million adjusted for non-cash items including depreciation and amortization of tangible and identifiable intangible real estate assets, deferred financing costs and mortgage premiums and discounts, bad debt expense, equity-based compensation, gain on non-designated derivatives and impairment charges) and a decrease in prepaid expenses and other assets of $3.0 million. These cash inflows were partially offset by a decrease in accounts payable and accrued expenses of $2.9 million related to timing of payments for real estate taxes, property operating expenses and professional and legal fees, a decrease in deferred rent and other liabilities of $2.7 million and by a net increase in unbilled receivables recorded in accordance with straight-line basis accounting of $1.5 million.

During the year ended December 31, 2021, net cash provided by operating activities was $38.9 million. The level of cash flows provided by operating activities is affected by, among other things, the number of properties owned, the performance of those properties, the timing of interest payments and the amount of borrowings outstanding during the period, as well as the receipt of scheduled rent payments and the level of operating expenses. Cash inflows include non-cash items of $38.8 million (net loss of $85.4 million adjusted for non-cash items including depreciation and amortization of tangible and identifiable intangible real estate assets, deferred financing costs and mortgage premiums and discounts, bad debt expense, equity-based compensation, gain on non-designated derivatives and impairment charges). In addition, cash provided by operating activities was impacted by an increase in accounts payable and accrued expenses of $1.3 million related to higher accrued real estate taxes, property operating expenses and professional and legal fees, a net decrease in prepaid expenses and other assets of $2.1 million, and by an increase in deferred rent of $1.7 million. These cash inflows were partially offset by a net increase in unbilled receivables recorded in accordance with straight-line basis accounting of $0.8 million.

Cash Flows from Investing Activities

Net cash used in investing activities during the year ended December 31, 2022 was $41.8 million. The cash used in investing activities included $25.5 million for the acquisition of four properties and $28.0 million in capital expenditures. These cash outflows were partially offset by $11.7 million in proceeds from the sale of the four LaSalle Properties.

Net cash used in investing activities during the year ended December 31, 2021 was $47.9 million. The cash used in investing activities included $159.3 million for the acquisition of 17 properties and $19.1 million in capital expenditures. These cash outflows were partially offset by proceeds from the sale of real estate of $130.4 million.

Cash Flows from Financing Activities

Net cash provided by financing activities of $4.6 million during the year ended December 31, 2022 was comprised of cash inflows of $30.0 million from borrowings under our Revolving Credit facility, partially offset by outflows of payments on our Credit Facilities of $3.0 million, payments of deferred financing costs of $1.7 million, dividends paid to holders of Series A Preferred Stock of $7.3 million, dividends paid to holders of Series B Preferred Stock of $6.5 million and principal payments on mortgages of $6.7 million.

Net cash provided by financing activities of $4.1 million during the year ended December 31, 2021 related to net proceeds from the issuance of Series A preferred stock of $56.3 million, net proceeds from the issuance of Series B preferred stock of $86.9 million and proceeds from a mortgage note payable of $42.8 million. These cash inflows were partially offset by net repayments under our Revolving Credit Facility of $173.8 million, payment for deferred financing costs of $1.5 million and payments of preferred stock dividends of $5.1 million.

Liquidity and Capital Resources

Our existing principal demands for cash are to fund acquisitions, capital expenditures, the payment of our operating and administrative expenses, debt service obligations (including principal repayment), and dividends to holders of our Series A Preferred Stock and holders of our Series B Preferred Stock. We closely monitor our current and anticipated liquidity position relative to our current and anticipated demands for cash and believe that we have sufficient current liquidity and access to additional liquidity to meet our financial obligations for at least the next 12 months. Our future liquidity requirements, and available liquidity, however, depend on many factors, such as the impact of COVID-19 on our tenants and operators. Further, recent and continuing increases in inflation brought about by labor shortages, supply chain disruptions and increases in interest rates may adversely impact our results of operations and thus ultimately our liquidity. Moreover, these increases in the rate of inflation, the ongoing war in Ukraine and related sanctions, supply chain disruptions and increases in interest rates, may also impact our tenant and residents' ability to pay rent and thus our cash flows. For more information about the risks and uncertainties associated with inflation, the ongoing war in Ukraine and related sanctions, and labor shortages and labor costs, please see the *Inflation* section below and *Part I – Item 1A. Risk Factors* section of this Annual Report on Form 10-K.

We expect to fund our future short-term operating liquidity requirements, including dividends to holders of Series A Preferred Stock and holders of Series B Preferred Stock, through a combination of current cash on hand, net cash provided by our property operations and draws on the Revolving Credit Facility, which may include additional borrowings following the repayments we were or are required to make thereunder.

As of December 31, 2022 and 2021, we had $53.7 million and $59.7 million of cash and cash equivalents, respectively, and our ability to use this cash on hand is restricted. Under our Credit Facility, we are required to maintain a combination of cash, cash equivalents and availability for future borrowings under our Revolving Credit Facility totaling at least $50.0 million. As of December 31, 2022, $203.4 million was available for future borrowings under our Revolving Credit Facility, of which $90.0 million was available for general corporate purposes and acquisitions, with the remainder available to repay other existing debt obligations.

Certain other restrictions and conditions described below, including those on paying cash dividends on our common stock, will no longer apply starting in the “Commencement Quarter” which is a quarter in which we make an election and, as of the day prior to the commencement of the applicable quarter we have a combination of cash, cash equivalents and availability for future borrowings under the Revolving Credit Facility totaling at least $100.0 million, giving effect to the aggregate amount of distributions projected to be paid by us during the applicable quarter, our ratio of consolidated total indebtedness to consolidated total asset value (expressed as a percentage) is less than 62.5%, and our Fixed Charge Coverage Ratio is not less than 1.50 to 1.00 for the most recently ended four fiscal quarters. The fiscal quarter ended June 30, 2021 was the first quarter that could have been the Commencement Quarter. We did not satisfy the conditions during the quarter ended December 31, 2022 in order to elect the quarter ending March 31, 2023 as the Commencement Quarter. There can be no assurance as to if, or when, we will, or will be able to, elect the Commencement Quarter, including to the extent we may be unable to satisfy these conditions in future periods. We may not pay distributions to holders of common stock in cash or any other cash distributions (including repurchases of shares of our common stock) on our common stock until the Commencement Quarter. Moreover, beginning in the Commencement Quarter, we may only pay cash distributions provided that the aggregate distributions (as defined in the Credit Facility and including dividends on Series A Preferred Stock, Series B Preferred Stock or any other class of preferred stock that may be issued) for any period of four fiscal quarters that do not exceed 95% of Modified FFO (as defined in the Credit Facility) for the same period based only on fiscal quarters after the Commencement Quarter.

Our Credit Facility also restricts our uses of liquidity. Until the first day of the Commencement Quarter, we must use all of the net cash proceeds from any capital event (such as an asset sale, financing or equity issuance) to repay amounts outstanding under the Revolving Credit Facility, to the extent there are any such amounts outstanding. We may borrow additional amounts if all relevant conditions are met, including sufficient availability for future borrowings. There can be no assurance these conditions will be met. The availability for future borrowings under the Credit Facility is calculated using the adjusted net operating income of the real estate assets comprising the borrowing base, and availability has been, and may continue to be, adversely affected by the increases in operating costs, primarily costs arising from the use of contract labor for care providers and, to a lesser extent, the amount we pay in overtime wages and bonuses, that have resulted from the effects of the COVID-19 pandemic and may persist for some time.

Financings

As of December 31, 2022, our total debt leverage ratio (net debt divided by gross asset value) was approximately 41.5%. Net debt totaled $1.1 billion, which represents gross debt ($1.1 billion) less cash and cash equivalents ($53.7 million). Gross asset value totaled $2.6 billion, which represents total real estate investments, at cost ($2.6 billion), net of gross market lease intangible liabilities ($23.5 million). Cumulative impairment charges are already reflected within gross asset value.

As of December 31, 2022, we had total gross borrowings of $1.1 billion, at a weighted average interest rate of 4.83%. As of December 31, 2021, we had total gross borrowings of $1.1 billion at a weighted average interest rate of 3.44%. As of December 31, 2022, the carrying value of our real estate investments, at cost was $2.6 billion, with $0.9 billion of this amount pledged as collateral for mortgage notes payable, $0.6 billion of this amount pledged to secure advances under the Fannie Mae Master Credit Facilities and $0.9 billion of this amount comprising the borrowing base of the Credit Facility. These real estate assets are not available to satisfy other debts and obligations, or to serve as collateral with respect to new indebtedness, as applicable, unless the existing indebtedness associated with the property is satisfied or the property is removed from the borrowing base of the Credit Facility, which would impact availability thereunder.

We expect to utilize proceeds from our Credit Facility to fund future property acquisitions, as well as, subject to the terms of our Credit Facility, other sources of funds that may be available to us. These actions may require us to add some or all of our unencumbered properties to the borrowing base under our Credit Facility. Unencumbered real estate investments, at cost as of December 31, 2022 was $0.1 billion. There can be no assurance as to the amount of liquidity we would be able to generate from adding any of the unencumbered assets we own to the borrowing base of our Credit Facility. Pursuant to the Credit Facility, any resulting net proceeds from dispositions prior to the Commencement Quarter must be used to repay amounts outstanding under the Revolving Credit Facility, to the extent there are any such amounts outstanding.

Mortgage Notes Payable

As of December 31, 2022, we had $585.2 million in gross mortgage notes payable outstanding. Future scheduled principal payments on our mortgage notes payable for 2023 are $1.1 million.

Credit Facility

Our Credit Facility consists of two components, the Revolving Credit Facility and our Term Loan. The Revolving Credit Facility is interest-only and matures on March 13, 2023, subject to a one one-year extension at our option. Our Term Loan is interest-only and matures on March 13, 2024. Loans under our Credit Facility may be prepaid at any time, in whole or in part, without premium or penalty, subject to customary breakage costs. Any amounts repaid under our Term Loan may not be re-borrowed.

The total commitments under the Credit Facility are $655.0 million, including $505.0 million under the Revolving Credit Facility. The Credit Facility includes an uncommitted "accordion feature" that may, subject to conditions, be used to increase the commitments under either component of the Credit Facility by up to an additional $370.0 million to a total of $1.0 billion. As of December 31, 2022, $150.0 million was outstanding under the Term Loan, and $30.0 million amounts were outstanding under the Revolving Credit Facility. The unused borrowing availability under the Credit Facility was $203.4 million, of which $90.0 million was available for general corporate purposes and acquisitions, with the remainder available to repay other existing debt obligations. The amount available for future borrowings under the Credit Facility is based on either the value of the pool of eligible unencumbered real estate assets comprising the borrowing base, or a minimum debt service coverage ratio with respect to the borrowing base. Both of these amounts are calculated using the adjusted net operating income of the real estate assets comprising the borrowing base, and, therefore, availability under our Credit Facility has been adversely affected by the increases in operating costs, primarily costs arising from the use of contract labor for care providers and, to a lesser extent, the amount we pay in overtime wages and bonuses, due to the effects of the COVID-19 pandemic, and may continue to be adversely affected. See also the discussion above regarding the need to maintain certain levels of liquidity until the Commencement Quarter.

The equity interests and related rights in our wholly-owned subsidiaries that directly own or lease the eligible unencumbered real estate assets comprising the borrowing base of the Revolving Credit Facility are pledged for the benefit of the lenders thereunder. The Credit Facility also contains a subfacility for letters of credit of up to $25.0 million. The applicable margin used to determine the interest rate under both the Term Loan and Revolving Credit Facility components of the Credit Facility varies based on our leverage. As of December 31, 2022, the Term Loan had an effective interest rate per annum equal to 5.11%. Under the Credit Facility, we must comply with covenants governing the maximum ratio of consolidated total indebtedness to consolidated total asset value, and requiring us to maintain a minimum ratio of adjusted consolidated EBITDA to consolidated fixed charges (the "Fixed Charge Coverage Ratio") on a quarterly basis, a minimum consolidated tangible net worth and a minimum debt service coverage ratio. We entered into the Fourth Amendment to the Credit Facility on August 11, 2022. As described above, pursuant to the Fourth Amendment, the Fixed Charge Coverage Ratio we must satisfy, based on the four most recently ended fiscal quarters, is (a) 1.20 to 1.00 for the period commencing with the quarter ended June 30, 2022 through the quarter ending June 30, 2023, (b) 1.35 to 1.00 for the period commencing with the quarter ending September 30, 2023 through the quarter ending December 31, 2023 and (c) 1.45 to 1.00 for the period commencing with the quarter ending March 31, 2024 and continuing thereafter, provided, however, that from and after the Commencement Quarter, we must satisfy a minimum Fixed Charge Coverage Ratio of 1.50 to 1.00.

Without the Fourth Amendment, we would have been in default of the pre-amendment Fixed Charge Coverage Ratio for the four fiscal quarter period ended June 30, 2022. However, we were in compliance with the new covenants under the Credit Facility for the five fiscal quarter periods ended December 31, 2022.

Prospectively, based upon our current expectations, we believe our operating results through June 30, 2023 will allow us to comply with these covenants. However, we believe our operating results may not be sufficient to comply with the increased Fixed Charge Coverage Ratio, which increases from 1.20:1.00 to 1.35:1.00 commencing with the quarter ending September 30, 2023 and thereafter. Absent a waiver or modification from the lender group, failure to comply with the Fixed Charge Coverage Ratio would constitute an Event of Default and the balance of the Credit Facility would be due and payable. We have obtained such waivers and modifications from the lender group in the past, but there can be no assurance that such a waiver or modification will be granted in future periods. Additionally, we are exploring long-term secured financing opportunities, utilizing some or all of our properties as collateral, the proceeds from which we believe will be sufficient to repay all amounts outstanding under the Credit Facility, which was $180.0 million as of December 31, 2022 (including the $20.0 million drawn subsequent to December 31, 2022, see *Note 17 — Subsequent Events* for details). There can be no assurance these opportunities will result in definitive agreements on favorable terms, or at all.

See *Note 5 — Credit Facilities, Net* to our consolidated financial statements in this Annual Report on Form 10-K for additional information on the Credit Facility, its related covenants, and the Fourth Amendment.

Fannie Mae Master Credit Facilities

As of December 31, 2022, $352.0 million was outstanding under the Fannie Mae Master Credit Facilities. We may request future advances under the Fannie Mae Master Credit Facilities by adding eligible properties to the collateral pool subject to customary conditions, including satisfaction of minimum debt service coverage and maximum loan-to-value tests. We do not expect to draw any further amounts on the Fannie Mae Master Credit Facilities. Borrowings under the Fannie Mae Master Credit Facilities bear annual interest at a rate that varies on a monthly basis and is equal to the sum of the current LIBOR for one month U.S. dollar-denominated deposits and 2.62%, with a combined floor of 2.62%. The Fannie Mae Master Credit Facilities mature on November 1, 2026. Future scheduled principal payments on our Fannie Mae Master Credit Facilities for 2023 are $5.8 million.

Capital Expenditures

During the year ended December 31, 2022, our capital expenditures were $28.0 million, of which approximately $10.5 million related our MOB segment and $17.5 million related to our SHOP segment. We anticipate this rate of capital expenditures will be similar for the MOB and SHOP segments throughout 2023, however, the economic uncertainty created by the COVID-19 global pandemic will continue to impact our decisions on the amount and timing of future capital expenditures.

Acquisitions — Year Ended December 31, 2022

During the year ended December 31, 2022, we acquired one multi-tenant MOB and three single-tenant MOBs for an aggregate contract purchase price of $25.3 million. These acquisitions were funded with cash on hand.

Acquisitions — Subsequent Year Ended December 31, 2022

We acquired four single-tenant MOB properties subsequent to December 31, 2022 for a contract purchase price of $20.0 million, which was funded with borrowings from our Revolving Credit Facility. We have entered into one purchase and sale agreement to acquire one MOB property for a contract purchase price of $5.2 million. There can be no assurance we will complete this acquisition on its contemplated terms, or at all. We anticipate primarily using proceeds from borrowings under our Revolving Credit Facility to fund the consideration required to complete this acquisition.

Dispositions — Year Ended December 31, 2022

During the year ended December 31, 2022, we completed the sale of the LaSalle Properties for an aggregate contract sales price of $12.4 million. We had previously recorded $34.0 million of impairment charges on the LaSalle Properties in the year ended December 31, 2021.

Dispositions — Subsequent to December 31, 2022

Subsequent to December 31, 2022, we did not dispose of any properties. We have entered into five purchase and sale agreements to dispose of five SHOPs for an aggregate contract sales price of $26.1 million. Pursuant to the terms of the Credit Facility, the net proceeds from these dispositions will be used to repay amounts outstanding under the Revolving Credit Facility. There can be no assurance that we will complete these dispositions on their contemplated terms, or at all.

Share Repurchase Program

Under the Credit Facility, we are restricted from repurchasing shares until the Commencement Quarter. Thus, the Board suspended repurchases under the SRP effective August 14, 2020. No further repurchase requests under the SRP may be made unless and until the SRP is reactivated. There can be no assurance, however, as to whether our SRP will be reactivated or on what terms. Beginning in the Commencement Quarter, we will be permitted to repurchase up to $50.0 million of shares of our common stock (including amounts previously repurchased during the term of the Revolving Credit Facility) if, after giving effect to the repurchases, we maintain cash and cash equivalents of at least $30.0 million and our ratio of consolidated total indebtedness to consolidated total asset value (expressed as a percentage) is less than 55.0%.

No assurances can be made as to when or if our SRP will be reactivated.

Non-GAAP Financial Measures

This section discusses the non-GAAP financial measures we use to evaluate our performance including Funds from Operations (“FFO”), Modified Funds from Operations (“MFFO”) and NOI. While NOI is a property-level measure, MFFO is based on our total performance as a company and therefore reflects the impact of other items not specifically associated with NOI such as, interest expense, general and administrative expenses and operating fees to related parties. Additionally, NOI as defined herein, includes straight-line rent which is excluded from MFFO. A description of these non-GAAP financial measures and reconciliations to the most directly comparable GAAP measure, which is net income, are provided below:

Funds from Operations and Modified Funds from Operations

The historical accounting convention used for real estate assets requires straight-line depreciation of buildings, improvements, and straight-line amortization of intangibles, which implies that the value of a real estate asset diminishes predictably over time. We believe that, because real estate values historically rise and fall with market conditions, including, but not limited to, inflation, interest rates, the business cycle, unemployment and consumer spending, presentations of operating results for a REIT using the historical accounting convention for depreciation and certain other items may be less informative.

Because of these factors, the National Association of Real Estate Investment Trusts ("NAREIT"), an industry trade group, has published a standardized measure of performance known as FFO, which is used in the REIT industry as a supplemental performance measure. We believe FFO, which excludes certain items such as real estate-related depreciation and amortization, is an appropriate supplemental measure of a REIT's operating performance. FFO is not equivalent to our net income or loss as determined under GAAP.

We calculate FFO, a non-GAAP measure, consistent with the standards established over time by the Board of Governors of NAREIT, as restated in a White Paper approved by the Board of Governors of NAREIT effective in December 2018 (the "White Paper"). The White Paper defines FFO as net income or loss computed in accordance with GAAP, excluding depreciation and amortization related to real estate, gains and losses from the sale of certain real estate assets, gains and losses from change in control and impairment write-downs of certain real estate assets and investments in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect our proportionate share of FFO attributable to our stockholders. Our FFO calculation complies with NAREIT's definition.

We believe that the use of FFO provides a more complete understanding of our operating performance to investors and to management, and reflects the impact on our operations from trends in occupancy rates, rental rates, operating costs, general and administrative expenses, and interest costs, which may not be immediately apparent from net income.

Changes in the accounting and reporting promulgations under GAAP that were put into effect in 2009 subsequent to the establishment of NAREIT's definition of FFO, such as the change to expense as incurred rather than capitalize and depreciate acquisition fees and expenses incurred for business combinations, have prompted an increase in cash-settled expenses, specifically acquisition fees and expenses, as items that are expensed under GAAP across all industries. These changes had a particularly significant impact on publicly registered, non-listed REITs, which typically have a significant amount of acquisition activity in the early part of their existence, particularly during the period when they are raising capital through ongoing initial public offerings.

Because of these factors, the Institute of Portfolio Alternatives ("IPA"), an industry trade group, has published a standardized measure of performance known as MFFO, which the IPA has recommended as a supplemental measure for publicly registered, non-listed REITs. MFFO is designed to be reflective of the ongoing operating performance of publicly registered, non-listed REITs by adjusting for those costs that are more reflective of acquisitions and investment activity, along with other items the IPA believes are not indicative of the ongoing operating performance of a publicly registered, non-listed REIT, such as straight-lining of rents as required by GAAP. We believe it is appropriate to use MFFO as a supplemental measure of operating performance because we believe that, when compared year-over-year, both before and after we have deployed all of our offering proceeds and are no longer incurring a significant amount of acquisition fees or other related costs, it reflects the impact on our operations from trends in occupancy rates, rental rates, operating costs, general and administrative expenses, and interest costs, which may not be immediately apparent from net income. MFFO is not equivalent to our net income or loss as determined under GAAP.

We calculate MFFO, a non-GAAP measure, consistent with the IPA's Guideline 2010-01, Supplemental Performance Measure for Publicly Registered, Non-Listed REITs: Modified Funds from Operations (the "Practice Guideline") issued by the IPA in November 2010, except that we adjust for deferred tax asset allowances based on management's determination. The Practice Guideline defines MFFO as FFO further adjusted for acquisition fees and expenses and other items. In calculating MFFO, we follow the Practice Guideline (with the added adjustment for deferred tax asset allowances based on management's determination as noted above) and exclude acquisition fees and expenses, amortization of above and below market and other intangible lease assets and liabilities, amounts relating to straight-line rent adjustments (in order to reflect such payments from a GAAP accrual basis to a cash basis of disclosing the lease and rental payments), contingent purchase price consideration, accretion of discounts and amortization of premiums on debt investments, mark-to-market adjustments included in net income, gains or losses included in net income from the extinguishment or sale of debt, hedges, foreign exchange, derivatives or securities holdings where trading of such holdings is not a fundamental attribute of the business plan, unrealized gains or losses resulting from consolidation from, or deconsolidation to, equity accounting, and adjustments for unconsolidated partnerships and joint ventures, with such adjustments calculated to reflect MFFO on the same basis. We also exclude other non-operating items in calculating MFFO, such as transaction-related fees and expenses and capitalized interest. In addition, because we currently believe that concessions granted to our tenants as a result of the COVID-19 pandemic are collectable (see Accounting Treatment of Rent Deferrals below), we have excluded from the increase in straight-line rent for MFFO purposes the amounts recognized under GAAP relating to these deferrals, which is not considered by the Practice Guideline.

We believe that, because MFFO excludes costs that we consider more reflective of acquisition activities and other non-operating items, MFFO can provide, on a going-forward basis, an indication of the sustainability (that is, the capacity to continue to be maintained) of our operating performance. Our Modified FFO (as defined in our Credit Facility) is similar but not identical to MFFO as discussed in this Quarterly Report on Form 10-Q. We also believe that MFFO is a recognized measure of sustainable operating performance by the non-listed REIT industry and allows for an evaluation of our performance against other publicly registered, non-listed REITs.

Not all REITs, including publicly registered, non-listed REITs, calculate FFO and MFFO the same way. Accordingly, comparisons with other REITs, including publicly registered, non-listed REITs, may not be meaningful. Furthermore, FFO and MFFO are not indicative of cash flow available to fund cash needs and should not be considered as an alternative to net income (loss) or income (loss) from continuing operations as determined under GAAP as an indication of our performance, as an alternative to cash flows from operations as an indication of our liquidity, or indicative of funds available to fund our cash needs including our ability to pay dividends and other distributions to our stockholders. FFO and MFFO should be reviewed in conjunction with GAAP measurements as an indication of our performance. The methods utilized to evaluate the performance of a publicly registered, non-listed REIT under GAAP should be construed as more relevant measures of operational performance and considered more prominently than the non-GAAP measures, FFO and MFFO, and the adjustments to GAAP in calculating FFO and MFFO.

Neither the SEC, NAREIT, the IPA nor any other regulatory body or industry trade group has passed judgment on the acceptability of the adjustments that we use to calculate FFO or MFFO. In the future, updates to the White Paper or the Practice Guideline may be published or the SEC or another regulatory body could standardize the allowable adjustments across the publicly registered, non-listed REIT industry and we would have to adjust our calculation and characterization of FFO or MFFO accordingly.

Accounting Treatment of Rent Deferrals

All of the concessions granted to our tenants as a result of the COVID-19 pandemic are rent deferrals with the original lease term unchanged and collection of deferred rent deemed probable (see the "Overview - *Management Update on the Impacts of the COVID-19 Pandemic"* section of this Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information). As a result of relief granted by the FASB and SEC related to lease modification accounting, rental revenue used to calculate Net Income and NAREIT FFO has not been, and we do not expect it to be, significantly impacted by these types of deferrals. As of December 31, 2022, all deferred amounts have been collected and we have not deferred any additional amounts since the year ended December 31, 2020. For a detailed discussion of our revenue recognition policy, including details related to the relief granted by the FASB and SEC, see *Note 2* — *Significant Accounting Polices* to our consolidated financial statements included in this Annual Report on Form 10-K.

The table below reflects the items deducted from or added to net loss attributable to common stockholders in our calculation of FFO and MFFO for the periods indicated. In calculating our FFO and MFFO, we exclude the impact of amounts attributable to our non-controlling interests.

	Year Ended December 31,		
(In thousands)	**2022**	**2021**	**2020**
Net loss attributable to common stockholders (in accordance with GAAP)	$ (93,285)	$ (92,942)	$ (78,781)
Depreciation and amortization [(1)]	80,063	78,115	79,643
Impairment charges	27,630	40,951	36,446
Loss (gain) on sale of real estate investments	125	(3,648)	(5,230)
Adjustments for non-controlling interests [(2)]	(490)	(529)	(526)
FFO (as defined by NAREIT) attributable to common stockholders	14,043	21,947	31,552
Acquisition and transaction related	1,484	2,714	173
(Accretion) amortization of market lease and other lease intangibles, net	(625)	(198)	(80)
Straight-line rent adjustments	(1,523)	(780)	(2,405)
Straight-line rent (rent deferral agreements) [(3)]	—	(280)	280
Amortization of mortgage premiums and discounts, net	51	55	60
(Gain) loss on non-designated derivatives	(3,834)	(37)	102
Cash received from non-designated derivatives	286	—	—
Deferred tax asset valuation allowance [(4)]	2,750	(482)	4,641
Adjustments for non-controlling interests [(2)]	10	1	(9)
MFFO attributable to common stockholders	$ 12,642	$ 22,940	$ 34,314

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(1) Net of non-real estate depreciation and amortization.

(2) Represents the portion of the adjustments allocable to non-controlling interests.

(3) Represents the amount of deferred rent pursuant to lease negotiations which qualify for FASB relief for which rent was deferred but not reduced. These amounts are included in the straight-line rent receivable on our consolidated balance sheet but are considered to be earned revenue attributed to the current period for purposes of MFFO as they are expected to be collected.

(4) This is a non-cash item and is added back as it is not considered a part of operating performance.

Net Operating Income

NOI is a non-GAAP financial measure used by us to evaluate the operating performance of our real estate portfolio. NOI is equal to revenue from tenants less property operating and maintenance expenses. NOI excludes all other items of expense and income included in the financial statements in calculating net income (loss).

We believe NOI provides useful and relevant information because it reflects only those income and expense items that are incurred at the property level and presents such items on an unlevered basis. We use NOI to assess and compare property level performance and to make decisions concerning the operation of the properties. Further, we believe NOI is useful to investors as a performance measure because, when compared across periods, NOI reflects the impact on operations from trends in occupancy rates, rental rates, operating expenses and acquisition activity on an unleveraged basis, providing perspective not immediately apparent from net income (loss).

NOI excludes certain components from net income (loss) in order to provide results that are more closely related to a property's results of operations. For example, interest expense is not necessarily linked to the operating performance of a real estate asset and is often incurred at the corporate level. In addition, depreciation and amortization, because of historical cost accounting and useful life estimates, may distort operating performance at the property level. NOI presented by us may not be comparable to NOI reported by other REITs that define NOI differently. We believe that in order to facilitate a clear understanding of our operating results, NOI should be examined in conjunction with net income (loss) as presented in our consolidated financial statements. NOI should not be considered as an alternative to net income (loss) as an indication of our performance or to cash flows as a measure of our liquidity or ability to pay distributions.

The following table reflects the items deducted from or added to net loss attributable to common stockholders in our calculation of Same Store, Acquisitions and Dispositions NOI for the year ended December 31, 2022:

	Same Store		Acquisitions		Dispositions		Non-Property Specific	
(In thousands)	MOB	SHOP	MOB	SHOP	MOB	SHOP		Total
Net (loss) income attributable to common stockholders (in accordance with GAAP)	$ 27,224	$ (18,432)	$ 5,447	$ —	$ 38	$ (3,491)	$ (104,071)	$ (93,285)
Impairment charges	12,488	15,142	—	—	—	—	—	27,630
Operating fees to related parties	—	—	—	—	—	—	25,353	25,353
Acquisition and transaction related	212	—	1	—	—	—	1,271	1,484
General and administrative	84	13	—	—	—	—	17,190	17,287
Depreciation and amortization	42,257	31,819	7,646	—	—	342	—	82,064
Interest expense	116	1,386	—	—	—	—	50,238	51,740
Interest and other income	(5)	(1)	—	—	(9)	—	(12)	(27)
Gain on non-designated derivative instruments	—	—	—	—	—	—	(3,834)	(3,834)
Loss on sale of real estate investments	—	—	—	—	—	125	—	125
Income tax expense	—	—	—	—	—	—	201	201
Net loss attributable to non-controlling interests	—	—	—	—	—	—	(135)	(135)
Allocation for preferred stock	—	—	—	—	—	—	13,799	13,799
NOI	$ 82,376	$ 29,927	$ 13,094	$ —	$ 29	$ (3,024)	$ —	$ 122,402

The following table reflects the items deducted from or added to net loss attributable to common stockholders in our calculation of Same Store, Acquisitions and Dispositions NOI for the year ended December 31, 2021:

	Same Store		Acquisitions		Dispositions			
(In thousands)	MOB	SHOP	MOB	SHOP	MOB	SHOP	Non-Property Specific	Total
Net income (loss) attributable to common stockholders (in accordance with GAAP)	$ 33,017	$ 4,557	$ 1,395	$ —	$ 3,131	$ (37,632)	$ (97,410)	$ (92,942)
Impairment charges	6,082	—	—	—	—	34,869	—	40,951
Operating fees to related parties	—	—	—	—	—	—	24,206	24,206
Acquisition and transaction related	—	3	—	—	—	—	2,711	2,714
General and administrative	92	22	—	—	—	21	16,693	16,828
Depreciation and amortization	43,187	30,235	2,907	—	1,978	1,619	—	79,926
Interest expense	322	1,404	—	—	—	—	46,174	47,900
Interest and other income	(18)	(1)	—	—	—	—	(42)	(61)
Gain on non-designated derivative instruments	—	—	—	—	—	—	(37)	(37)
Gain on sale of real estate investments	—	—	—	—	(3,706)	58	—	(3,648)
Income tax expense	—	—	—	—	—	—	203	203
Net loss attributable to non-controlling interests	—	—	—	—	—	—	(260)	(260)
Allocation for preferred stock	—	—	—	—	—	—	7,762	7,762
NOI	$ 82,682	$ 36,220	$ 4,302	$ —	$ 1,403	$ (1,065)	$ —	$ 123,542

Refer to *Note 15* — *Segment Reporting* to our consolidated financial statements found in this Annual Report on Form 10-K for a reconciliation of NOI to net loss attributable to stockholders by reportable segment.

Dividends and Other Distributions

Dividends on our Series A Preferred Stock are declared quarterly in an amount equal to $1.84375 per share each year ($0.460938 per share per quarter) to Series A Preferred Stock holders, which is equivalent to 7.375% per annum on the $25.00 liquidation preference per share of Series A Preferred Stock. Dividends on the Series A Preferred Stock are cumulative and payable quarterly in arrears on the 15th day of January, April, July and October of each year or, if not a business day, the next succeeding business day to holders of record on the close of business on the record date set by our board of directors and declared by us.

Dividends on our Series B Preferred Stock are declare quarterly in an amount equal to $1.78125 per share each year ($0.445313 per share per quarter) to Series B Preferred Stock holders, which is equivalent to 7.125% of per annum in the $25.00 liquidation preference per share of Series B Preferred Stock. Dividends on the Series B Preferred Stock are cumulative and payable quarterly in arrears on the 15th day of January, April, July and October of each year or, if not a business day, the next succeeding business day to holders of record on the close of business on the record date set by our board of directors and declared by us. The first dividend on the Series B Preferred Stock was paid in January 2022.

On February 20, 2018, the Board authorized the rate at which we pay monthly distributions to stockholders, effective as of March 1, 2018, which is $0.85 per annum, per share of common stock. Also, on August 13, 2020, the Board changed our common stock distribution policy in order to preserve our liquidity and maintain additional financial flexibility in light of the COVID-19 pandemic and to comply with the Credit Facility at the time. Under this distribution policy, distributions authorized by the Board on shares of our common stock, if and when declared, are now paid on a quarterly basis in arrears in shares of our common stock valued at the estimated per share asset value in effect on the applicable date, based on a single record date to be specified at the beginning of each quarter.

Under our Credit Facility we may not pay distributions to holders of common stock in cash or make any other cash distributions (including repurchases of shares of our common stock), subject to certain exceptions. These exceptions include paying cash dividends on the Series A Preferred Stock and the Series B Preferred Stock or any other preferred stock we may issue and paying any cash distributions necessary to maintain our status as a REIT. We may not pay any cash distributions (including dividends on Series A Preferred Stock and Series B Preferred Stock) if a default or event of default exists or would result therefrom. The restrictions on paying cash distributions will no longer apply starting in the quarter in which we make an election and, as of the day prior to the commencement of the applicable quarter, we have a combination of cash, cash equivalents and availability for future borrowings under the Revolving Credit Facility totaling at least $100.0 million, giving effect to the aggregate amount of distributions projected to be paid by us during the applicable quarter, our ratio of consolidated total indebtedness to consolidated total asset value (expressed as a percentage) is less than 62.5% and our Fixed Charge Coverage Ratio is not less than 1.50 to 1.00 for the most recently ended four fiscal quarters. There can be no assurance as to if, or when, we will be able to satisfy these conditions. We may only pay cash distributions on our common stock beginning in the Commencement Quarter and the aggregate distributions (as defined in the Credit Facility and including dividends on Series A Preferred Stock, Series B Preferred Stock or any other class of preferred stock that may be issued) for any period of four fiscal quarters do not exceed 95% of Modified FFO (as defined in the Credit Facility) for the same period based only on fiscal quarters after the Commencement Quarter. In addition, our ability to pay cash distributions may be limited by financial covenants in the Credit Facility, including our requirement to maintain a minimum ratio of adjusted consolidated EBITDA to consolidated fixed charges and a minimum debt service coverage ratio. Until four full fiscal quarters have elapsed after the commencement of the Commencement Quarter, the aggregate amount of permitted distributions and Modified FFO will be determined by using only the fiscal quarters that have elapsed from and after the Commencement Quarter and annualizing those amounts.

Subject to the restrictions in our Credit Facility, the amount of dividends and other distributions payable to our stockholders is determined by the Board and is dependent on a number of factors, including funds available for distribution, our financial condition, capital expenditure requirements, as applicable, requirements of Maryland law and annual distribution requirements needed to maintain our status as a REIT under the Internal Revenue Code of 1986 (the “Code”). Distribution payments are dependent on the availability of funds. The Board may reduce the amount of dividends or distributions paid or suspend dividend or distribution payments at any time and therefore dividend and distribution payments are not assured. Any accrued and unpaid dividends payable with respect to the Series A Preferred Stock or Series B Preferred Stock become part of the liquidation preference thereof.

The following table shows the sources for the payment of distributions to common stockholders and preferred stockholders, including distributions on restricted shares and Common OP Units, but excluding distributions related to Class B Units because these distributions are recorded as an expense in our consolidated statement of operations and comprehensive loss, for the periods indicated. No cash distributions were made to common stockholders, restricted shareholders, holders of Common OP Units or holders of Class B Units in the year ended December 31, 2022.

(In thousands)	Three Months Ended March 31, 2022	Percentage of Distributions	June 30, 2022	Percentage of Distributions	September 30, 2022	Percentage of Distributions	December 31, 2022	Percentage of Distributions	Year Ended December 31, 2022	Percentage of Distributions
Distributions:										
Dividends paid to holders of Series A Preferred Stock	$ 1,833	52.4%	$ 1,833	52.4%	$ 1,834	52.5%	$ 1,833	52.4%	$ 7,333	52.4%
Dividends paid to holders of Series B Preferred Stock	1,616	46.2%	1,617	46.3%	1,616	46.2%	1,617	46.3%	6,466	46.2%
Distributions paid to holders of Series A Preferred Units	46	1.3%	46	1.3%	46	1.3%	46	1.3%	184	1.3%
Total cash distributions	$ 3,495	100.0%	$ 3,496	100.0%	$ 3,496	100.0%	$ 3,496	100.0%	$ 13,983	100.0%
Source of distribution coverage:										
Cash flows provided by operations [1]	$ 3,495	100.0 %	$ 3,496	100.0 %	$ 3,496	100.0 %	$ 3,496	100.0 %	$ 13,983	100.0 %
Total source of distribution coverage	$ 3,495	100.0 %	$ 3,496	100.0 %	$ 3,496	100.0 %	$ 3,496	100.0 %	$ 13,983	100.0 %
Cash flows provided by operations (in accordance with GAAP)	$ 5,882		$ 7,855		$ 7,358		$ 7,200		$ 28,295	
Net loss (in accordance with GAAP)	$ (2,340)		$(17,635)		$(19,875)		$(39,771)		$(79,621)	

(1) Assumes the use of available cash flows from operations before any other sources.

For the year ended December 31, 2022, cash flows provided by operations were $28.3 million. We had not historically generated sufficient cash flows from operations to fund the payment of dividends and other distributions at the current rate prior to switching from paying cash dividends to stock dividends on our common stock. As shown in the table above, we funded dividends to holders of Series A Preferred Stock, Series B Preferred Stock and Series A Preferred Units with cash flows provided by operations. Because shares of common stock are only offered and sold pursuant to the DRIP in connection with the reinvestment of distributions paid in cash, participants in the DRIP will not be able to reinvest in shares thereunder for so long as we pay distributions in stock instead of cash.

Our ability to pay dividends on our Series A Preferred Stock, Series B Preferred Stock and Series A Preferred Units and, starting with the Commencement Quarter, other distributions and maintain compliance with the restrictions on the payment of distributions in our Credit Facility depends on our ability to increase the amount of cash we generate from property operations which in turn depends on a variety of factors, including the duration and scope of the COVID-19 pandemic and its impact on our tenants and properties, our ability to complete acquisitions of new properties and our ability to improve operations at our existing properties. There can be no assurance that we will complete acquisitions on a timely basis or on acceptable terms and conditions, if at all. Our ability to improve operations at our existing properties is also subject to a variety of risks and uncertainties, many of which are beyond our control, and there can be no assurance we will be successful in achieving this objective.

We may still pay any cash distributions necessary to maintain its status as a REIT and may not pay any cash distributions (including dividends on Series A Preferred Stock and Series B Preferred Stock) if a default or event of default exists or would result therefrom under the Credit Facility.

Loan Obligations

The payment terms of our mortgage notes payable generally require principal and interest amounts payable monthly with all unpaid principal and interest due at maturity. The payment terms of our Credit Facility require interest only amounts payable monthly with all unpaid principal and interest due at maturity. The payment terms of our Fannie Mae Master Credit Facilities required interest only payments through November 2021 and principal and interest payments thereafter. Our loan agreements require us to comply with specific financial and reporting covenants. Pursuant to the terms of the Fourth Amendment entered into on August 11, 2022, as described above, the prior Fixed Charge Coverage Ratio, based on the four most recently ended fiscal quarters, of 1.50 to 1.00 was reduced to (a) 1.20 to 1.00 for the period commencing with the quarter ended June 30, 2022 through the quarter ending June 30, 2023, (b) 1.35 to 1.00 for the period commencing with the quarter ending September 30, 2023 through the quarter ending December 31, 2023 and (c) 1.45 to 1.00 for the period commencing with the quarter ending March 31, 2024 and continuing thereafter; provided, however, that from and after the Commencement Quarter, we must satisfy a minimum Fixed Charge Coverage Ratio of 1.50 to 1.00. Prospectively, based upon our current expectations, we believe our operating results through June 30, 2023 will allow us to comply with these covenants. However, we believe our operating results may not be sufficient to comply with the increased Fixed Charge Coverage Ratio, which increases from 1.20:1.00 to 1.35:1.00 commencing with the quarter ending September 30, 2023 and thereafter. Absent a waiver or modification from the lender group, failure to comply with the Fixed Charge Coverage Ratio would constitute an Event of Default and the balance of the Credit Facility would be due and payable. We have obtained such waivers and modifications from the lender group in the past, but there can be no assurance that such a waiver or modification will be granted in future periods. See *Note 5* — *Credit Facilities, Net* for additional information on the Fourth Amendment.

Under our Credit Facility, until the first day of the Commencement Quarter, we must use all the net cash proceeds from any capital event (such as an asset sale, financing or equity issuance) to repay amounts outstanding under the Revolving Credit Facility, to the extent there are any such amounts outstanding. We may borrow additional amounts if all relevant conditions are met, including sufficient availability for future borrowings. There can be no assurance these conditions will be met.

Election as a REIT

We elected to be taxed as a REIT under Sections 856 through 860 of the Code, effective for our taxable year ended December 31, 2013. Commencing with that taxable year, we have been organized and operated in a manner so that we qualify as a REIT under the Code. We intend to continue to operate in such a manner but can provide no assurances that we will operate in a manner so as to remain qualified for taxation as a REIT. To continue to qualify as a REIT, we must distribute annually at least 90% of our REIT taxable income (which does not equal net income as calculated in accordance with GAAP) determined without regard to the deduction for dividends paid and excluding net capital gains, and comply with a number of other organizational and operational requirements. If we continue to qualify as a REIT, we generally will not be subject to U.S. federal corporate income tax on the portion of our REIT taxable income that we distribute to our stockholders. Even if we continue to qualify for taxation as a REIT, we may be subject to certain state and local taxes on our income and properties as well as U.S. federal income and excise taxes on our undistributed income.

Inflation

We may be adversely impacted by inflation on the leases with tenants in our MOB segment that do not contain indexed escalation provisions, or those leases which have escalations at rates which do not exceed or approximate current inflation rates. As of December 31, 2022, the increase to the 12-month CPI for all items, as published by the Bureau of Labor Statistics, was 6.5%. To help mitigate the adverse impact of inflation, approximately 90% of our leases with our tenants in our MOB segment contain rent escalation provisions which average 2.3% per year. These provisions generally increase rental rates during the terms of the leases either at fixed rates or indexed escalations (based on the Consumer Price Index or other measures). Approximately 85.9% are fixed-rate, 4.1% are based on the Consumer Price Index and 10% do not contain any escalation provisions.

In addition to base rent, depending on the specific lease, MOB tenants are generally required to pay either (i) their pro rata share of property operating and maintenance expenses, which may be subject to expense exclusions and floors or (ii) their share of increases in property operating and maintenance expenses to the extent they exceed the properties' expenses for the base year of the respective leases. Property operating and maintenance expenses include common area maintenance costs, real estate taxes and insurance. Increased operating costs paid by our tenants under these net leases could have an adverse impact on our tenants if increases in their operating expenses exceed increases in their revenue, which may adversely affect our tenants' ability to pay rent owed to us or property expenses to be paid, or reimbursed to us, by our tenants. Renewals of leases or future leases for our net lease properties may not be negotiated on a triple-net basis or on a basis requiring the tenants to pay all or some of such expenses, in which event we may have to pay those costs. If we are unable to lease properties on a triple-net basis or on a basis requiring the tenants to pay all or some of such expenses, or if tenants fail to pay required tax, utility and other impositions, we could be required to pay those costs.

Leases with residents at our SHOPs typically do not have rent escalations, however, we are able to renew leases at market rates as they mature due to their short-term nature. As inflation rates increase or persist at high levels, the cost of providing medical care at our SHOPs, particularly labor costs, will increase. If we are unable to admit new residents or renew resident leases at market rates, while bearing these increased costs from providing services to our residents, our results of operations may be affected.

Related-Party Transactions and Agreements

Please see *Note 9 — Related Party Transactions and Arrangements* to our consolidated financial statements included in this Annual Report on Form 10-K for a discussion of the various related party transactions, agreements and fees.

Off-Balance Sheet Arrangements

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The market risk associated with financial instruments and derivative financial instruments is the risk of loss from adverse changes in market prices or interest rates. Our long-term debt, which consists of secured financings, our Credit Facility (which includes a Revolving Credit Facility and a Term Loan) and the Fannie Mae Master Credit Facilities, bear interest at fixed rates and variable rates. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, from time to time, we may enter into interest rate hedge contracts such as swaps, collars, and treasury lock agreements in order to mitigate our interest rate risk with respect to various debt instruments. We will not hold or issue these derivative contracts for trading or speculative purposes. As of December 31, 2022, we had entered into seven non-designated interest rate caps with a current notional amount of approximately $354.6 million (of which six caps were active as of December 31, 2022 and one has a forward start date as of April 2023), two LIBOR-based designated interest rate swaps with a notional amount of $50.0 million and seven SOFR-based designated interest rate swaps with a notional amount of $528.5 million. Subsequent to December 31, 2022, we terminated our two LIBOR-based designated interest rate swaps with a notional amount of $50.0 million (see *Note 17 — Subsequent Events* to our consolidated financial statements). We do not have any foreign operations and thus we are generally not directly exposed to foreign currency fluctuations.

Mortgage Notes Payable

As of December 31, 2022, all of our mortgages are either fixed-rate ($206.7 million) or variable-rate ($378.5 million), before consideration of interest rate swaps. Our mortgages had a gross aggregate carrying value of $585.2 million and a fair value of $550.6 million as of December 31, 2022.

Credit Facilities

Our Credit Facilities are variable-rate, before consideration of interest rate swaps, and are comprised of our Revolving Credit Facility, our Term Loan and our Fannie Mae Master Credit Facilities. Our Credit Facilities had a gross aggregate carrying amount of $532.0 million and a fair value of $532.5 million as of December 31, 2022.

Sensitivity Analysis - Interest Expense

Interest rate volatility associated with all of our variable-rate borrowings affects interest expense incurred and cash flow to the extent they are not fixed via interest rate swap or capped via interest rate cap contracts.

Interest Rate Swaps

As noted above, we have two LIBOR-based designated interest rate swaps with a notional amount of $50.0 million and seven SOFR-based designated interest rate swaps with a notional amount of $528.5 million, which effectively create a fixed interest rate for a portion of our variable-rate debt. These interest rate swaps effectively hedge all of our variable rate debt with the exception of our Fannie Mae Master Credit Facilities discussed below.

Interest Rate Caps

We also have entered into seven non-designated interest rate cap contracts with a current notional amount of $354.6 million as of December 31, 2022 (of which six caps were active as of December 31, 2022 and one has a forward start date as of April 2023), which limits 30-day LIBOR exposure on our Fannie Mae Master Credit Facilities to 3.50%. The active caps began limiting 30-day LIBOR during the fourth quarter of 2022 as 30-day LIBOR rates exceeded the strike price of 3.50% and we are receiving monthly cash payments on these contracts. Because these are non-designated derivatives, the amounts received are included in gain on non-designated derivatives in our statement of operations and comprehensive loss.

Sensitivity

As of December 31, 2022, we are not currently negatively exposed to rising interest rates. Assuming all other variables besides interest rates remain constant, a 100 basis point increase in variable interest rates would not impact our interest expense due to our interest rate swaps and effective interest rate caps as of December 31, 2022. Assuming all other variables besides interest rates remain constant, a 100 basis point decrease in variable interest rates would also not impact our swapped debt, and based on the SOFR/LIBOR rate as of December 31, 2022, a 100 basis point decrease would not have a material impact on our net interest payments (inclusive of cash received from our non-designated derivatives included in gain on non-designated derivatives).

Sensitivity Analysis - Fair Value of Debt

Changes in market interest rates on our debt instruments impacts their fair value, even if it has no impact on interest due on them. For instance, if interest rates rise 100 basis points and the balances on our debt instruments remain constant, we expect the fair value of our obligations to decrease, the same way the price of a bond declines as interest rates rise. The sensitivity analysis related to our debt assumes an immediate 100 basis point move in interest rates from their December 31, 2022 levels, with all other variables held constant. A 100 basis point increase in market interest rates would result in a decrease in the fair value of our debt by $10.4 million. A 100 basis point decrease in market interest rates would result in an increase in the fair value of our debt by $11.5 million. A 100 basis point increase in market interest rates would result in an increase in the fair value of our nine designated interest rate swaps by $14.6 million. A 100 basis point decrease in market interest rates would result in a decrease in the fair value of our nine designated interest rate swaps by $15.3 million.

These amounts were determined by considering the impact of hypothetical interest rate changes on our borrowing costs, and assuming no other changes in our capital structure. The information presented above includes only those exposures that existed as of December 31, 2022 and does not consider exposures or positions arising after that date. The information represented herein has limited predictive value. Future actual realized gains or losses with respect to interest rate fluctuations will depend on cumulative exposures, hedging strategies employed and the magnitude of the fluctuations.

Item 8. Financial Statements and Supplementary Data.

The information required by this Item 8 is hereby incorporated by reference to our Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

In accordance with Rules 13a-15(b) and 15d-15(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), our disclosure controls and procedures include internal controls and other procedures designed to provide reasonable assurance that information required to be disclosed in this and other reports filed under the Exchange Act is recorded, processed, summarized and reported within the required time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. It should be noted that no system of controls can provide complete assurance of achieving a company’s objectives and that future events may impact the effectiveness of a system of controls.

Our Chief Executive Officer and Chief Financial Officer, carried out an evaluation, together with other members of our management, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective as of December 31, 2022 at a reasonable level of assurance.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) or 15d-15(f) promulgated under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2022. In making that assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework (2013). Based on its assessment, our management concluded that, as of December 31, 2022, our internal control over financial reporting was effective based on those criteria.

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. The effectiveness of our internal control over financial reporting has not been audited by our independent registered public accounting firm because we are a "non-accelerated filer" as defined under SEC rules.

Changes in Internal Control Over Financial Reporting

During the three months ended December 31, 2022, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections

Not Applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

We have adopted a Code of Business Conduct and Ethics that applies to all of our executive officers and directors, including but not limited to, our principal executive officer and principal financial officer. A copy of our code of ethics may be obtained, free of charge, by sending a written request to our executive office: 650 Fifth Avenue - 30th Floor, New York, NY 10019, Attention: Chief Financial Officer. Our Code of Business Conduct and Ethics is also publicly available on our website at www.healthcaretrustinc.com. If we make any substantive amendments to the code of ethics or grant any waiver, including any implicit waiver, from a provision of the Code of Business Conduct and Ethics to our chief executive officer, chief financial officer, chief accounting officer or controller or persons performing similar functions, we will disclose the nature of the amendment or waiver on that website or in a report on Form 8-K.

The information required by this Item will be set forth in our definitive proxy statement with respect to our 2023 annual meeting of stockholders to be filed not later than 120 days after the end of the 2022 fiscal year, and is incorporated herein by reference.

Item 11. Executive Compensation.

The information required by this Item will be set forth in our definitive proxy statement with respect to our 2023 annual meeting of stockholders to be filed not later than 120 days after the end of the 2022 fiscal year, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Securities Authorized for Issuance Under Equity Compensation Plans

Restricted Share Plan

We have an employee and director incentive restricted share plan (as amended from time to time, the "RSP"), which provides us with the ability to grant awards of restricted shares to our directors, officers and employees (if we ever have employees), and, among other eligible persons, employees of the Advisor and its affiliates who provide services to us. For additional information, see *Note 11 — Equity-Based Compensation* to our consolidated financial statements included in this Annual Report on Form 10-K.

The following table sets forth information regarding securities authorized for issuance under the RSP as of December 31, 2022:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity Compensation Plans approved by security holders	—	—	3,419,100 (1)
Equity Compensation Plans not approved by security holders	—	—	—
Total	—	—	3,419,100 (1)

(1) The total number of shares of common stock that may be subject to awards granted under the RSP may not exceed 5.0% of our outstanding shares of common stock on a fully diluted basis at any time and in any event will not exceed 3,861,194 shares (as such number may be further adjusted for stock splits, stock dividends, combinations and similar events). As of December 31, 2022, we had 105,080,531 shares of common stock issued and outstanding and 442,094 shares of common stock that were subject to awards granted under the RSP. For additional information on the RSP, please see *Note 11 — Equity-Based Compensation* to our consolidated financial statements included in this Annual Report on Form 10-K.

The other information required by this Item will be set forth in our definitive proxy statement with respect to our 2023 annual meeting of stockholders to be filed not later than 120 days after the end of the 2022 fiscal year, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item will be set forth in our definitive proxy statement with respect to our 2023 annual meeting of stockholders to be filed not later than 120 days after the end of the 2022 fiscal year, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The information required by this Item will be set forth in our definitive proxy statement with respect to our 2023 annual meeting of stockholders to be filed not later than 120 days after the end of the 2022 fiscal year, and is incorporated herein by reference.

PART IV

Item 15. Exhibit and Financial Statement Schedules.

(a) Financial Statements and Financial Statement Schedules

1. Financial Statements:

   See the Index to Consolidated Financial Statements at page F-1 of this Annual Report on Form 10-K.

2. Financial Statement Schedules:

   The following financial statement schedule is included herein at page F-42 of this Annual Report on Form 10-K: Schedule III — Real Estate and Accumulated Depreciation

(b) Exhibits

See Exhibit Index below.

EXHIBIT INDEX

The following exhibits are included, or incorporated by reference, in this Annual Report on Form 10-K for the year ended December 31, 2022 (and are numbered in accordance with Item 601 of Regulation S-K):

Exhibit No.	Description
3.1 (1)	Articles of Amendment and Restatement for Healthcare Trust, Inc.
3.2 (2)	Articles Supplementary of Healthcare Trust, Inc. relating to election to be subject to Section 3-803 of the Maryland General Corporation Law, dated November 9, 2017
3.3 (3)	Articles Supplementary relating to the designation of shares of 7.375% Series A Cumulative Redeemable Perpetual Preferred Stock, dated December 6, 2019
3.4 (6)	Articles Supplementary designating additional shares of 7.375% Series A Cumulative Redeemable Perpetual Preferred Stock, dated September 15, 2020
3.5 (28)	Articles Supplementary relating to the designation of shares of 7.125% Series B Cumulative Redeemable Perpetual Preferred Stock, dated October 4, 2021
3.6 (30)	Articles Supplementary designating additional shares of 7.375% Series A Cumulative Redeemable Perpetual Preferred Stock, dated May 10, 2021
3.7 (4)	Amended and Restated Bylaws of Healthcare Trust, Inc.
3.8 (5)	Amendment to Amended and Restated Bylaws of Healthcare Trust, Inc.
3.9 (29)	Second Amendment to Amended and Restated Bylaws of Healthcare Trust, Inc.
4.1 (7)	Agreement of Limited Partnership of Healthcare Trust Operating Partnership, L.P. (f/k/a American Realty Capital Healthcare Trust II Operating Partnership, L.P.), dated as of February 14, 2013
4.2 (8)	First Amendment, dated December 31, 2013, to the Agreement of Limited Partnership of American Realty Capital Healthcare Trust II, L.P., dated February 14, 2013
4.3 (1)	Second Amendment, dated April 15, 2015, to the Agreement of Limited Partnership of American Realty Capital Healthcare Trust II, L.P., dated as of February 14, 2013
4.4 (10)	Third Amendment, dated December 6, 2019, to the Agreement of Limited Partnership of Healthcare Trust Operating Partnership, L.P., dated February 14, 2013
4.5 (6)	Fourth Amendment, dated September 15, 2020, to the Agreement of Limited Partnership of Healthcare Trust Operating Partnership, L.P., dated February 14, 2013
4.6 (30)	Fifth Amendment, dated May 7, 2021, to the Agreement of Limited Partnership of Healthcare Trust Operating Partnership, L.P., dated February 14, 2013
4.7 (28)	Sixth Amendment, dated October 4, 2021, to the Agreement of Limited Partnership of Healthcare Trust Operating Partnership, L.P., dated February 14, 2013
4.8 (5)	Rights Agreement, dated May 18, 2020, between Healthcare Trust, Inc.,and Computershare Trust Company, N.A., as Rights Agent
4.9 *	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934
10.1 (9)	Second Amended and Restated Advisory Agreement, dated as of February 17, 2017, by and among the Company, Healthcare Trust Operating Partnership, L.P. and Healthcare Trust Advisors, LLC
10.2 (11)	Amendment No. 1, dated as of July 25, 2019, to the Second Amended and Restated Advisory Agreement, by and among Healthcare Trust, Inc., Healthcare Trust Operating Partnership, L.P. and Healthcare Trust Advisors, LLC
10.3 (9)	Amended and Restated Property Management and Leasing Agreement, dated as of February 17, 2017, by and among the Company, Healthcare Trust Operating Partnership, L.P. and Healthcare Trust Properties, LLC
10.4 (12)	First Amendment, dated as of April 9, 2018, to Amended and Restated Property Management and Leasing Agreement, by and among Healthcare Trust, Inc., Healthcare Trust Operating Partnership, L.P., and Healthcare Trust Properties, LLC
10.5 (32)	Second Amendment, dated as of November 11, 2021, to Amended and Restated Property Management and Leasing Agreement, by and among Healthcare Trust, Inc., Healthcare Trust Operating Partnership, L.P., and Healthcare Trust Properties, LLC
10.6 (13)	Indemnification Agreement, dated as of December 31, 2014, with Directors, Officers, Advisor and Dealer Manager
10.7 (13)	Indemnification Agreement, dated April 14, 2015, with Mr. Randolph C. Read
10.8 (14)	Form of Restricted Stock Award Agreement Pursuant to the Employee and Director Incentive Restricted Share Plan of Healthcare Trust, Inc.
10.9 (15)	Master Credit Facility Agreement, dated as of October 31, 2016, by and among the borrowers party thereto and KeyBank National Association

Exhibit No.	Description
10.10 (4)	First Amendment to Master Credit Facility, dated April 26, 2017, by among the borrowers party thereto and KeyBank National Association
10.11 (4)	Reaffirmation, Joinder and Second Amendment to Master Credit Facility, dated October 26, 2017, by among the borrowers party thereto and KeyBank National Association
10.12 (15)	Master Credit Facility Agreement, dated as of October 31, 2016, by and among the borrowers party thereto and Capital One Multifamily Finance, LLC
10.13 (4)	Reaffirmation, Joinder and First Amendment to Master Credit Facility, dated March 30, 2017, by among the borrowers party thereto and Capital One Multifamily Finance, LLC
10.14 (4)	Second Amendment to Master Credit Facility, dated October 26, 2017, by among the borrowers party thereto and Capital One Multifamily Finance, LLC
10.15 (4)	Third Amendment to Master Credit Facility, dated March 2, 2018, by among the borrowers party thereto and Capital One Multifamily Finance, LLC
10.16 (16)	Amended and Restated Loan Agreement, dated as of December 20, 2019, by and among the borrower entities party thereto, Capital One, National Association and the other lenders party thereto
10.17 (16)	Amended and Restated Guaranty of Recourse Obligations, dated as of December 20, 2019, by Healthcare Trust Operating Partnership, L.P. in favor of Capital One, National Association
10.18 (16)	Amended and Restated Hazardous Materials Indemnity Agreement, dated as of December 20, 2019, by Healthcare Trust Operating Partnership, L.P. and the borrower entities party thereto, for the benefit of Capital One, National Association
10.19 (2)	Amended and Restated Employee and Director Incentive Restricted Share Plan of Healthcare Trust, Inc., effective as of August 31, 2017
10.20 (2)	Form of Restricted Stock Award Agreement Pursuant to the Amended and Restated Employee and Director Incentive Restricted Share Plan of Healthcare Trust, Inc.
10.21 (17)	Loan Agreement, dated as of December 28, 2017, among the borrower entities party thereto and Capital One, National Association
10.22 (17)	Guaranty of Recourse Obligation, dated as of December 28, 2017, by Healthcare Trust Operating Partnership, L.P. in favor of Capital One, National Association
10.23 (17)	Hazardous Materials Indemnity Agreement, dated as of December 28, 2017, by Healthcare Trust Operating Partnership, L.P. and the borrower entities party thereto, for the benefit of Capital One, National Association
10.24 (12)	Loan Agreement, dated as of April 10, 2018, by and among the borrowers party thereto, and KeyBank National Association, as lender
10.25 (12)	Promissory Note A -1, dated as of April 10, 2018, by the borrowers party thereto in favor of KeyBank National Association, as lender
10.26 (12)	Promissory Note A-2, dated as of April 10, 2018, by the borrowers party thereto in favor of KeyBank National Association, as lender
10.27 (12)	Guarantee Agreement, dated as of April 10, 2018, by Healthcare Trust Operating Partnership, L.P. in favor of KeyBank National Association, as lender
10.28 (12)	Environmental Indemnity Agreement, dated as of April 10, 2018, by the borrowers party thereto and Healthcare Trust Operating Partnership, L.P. in favor of KeyBank National Association, as indemnitee
10.29 (18)	Form of Indemnification Agreement
10.30 (19)	Amended and Restated Senior Secured Revolving Credit Agreement dated as of March 13, 2019 by and among Healthcare Trust Operating Partnership, L.P., KeyBank National Association and the other lender parties thereto
10.31 (20)	First Amendment to Amended and Restated Senior Secured Revolving Credit Agreement entered into as of March 13, 2019 by and among Healthcare Trust Operating Partnership, L.P., KeyBank National Association and the other lender parties thereto
10.32 (21)	Second Amendment to First Amended and Restated Senior Secured Credit Agreement, entered into as of August 10, 2020, among Healthcare Trust Operating Partnership, L.P., Healthcare Trust, Inc., the other guarantor parties thereto, Keybank National Association and the other lenders party thereto
10.33 (32)	Third Amendment to First Amended and Restated Senior Secured Credit Agreement, entered into as of November 12, 2021, among Healthcare Trust Operating Partnership, L.P., Healthcare Trust, Inc., the other guarantor parties thereto, Keybank National Association and the other lenders party thereto
10.34 (31)	Fourth Amendment to First Amended and Restated Senior Credit Agreement, entered into as of August 11, 2022, among Healthcare Trust Operating Partnership, L.P., Healthcare Trust, Inc., the other guarantor parties thereto, Keybank National Association and the other lenders party thereto
21.1 *	List of Subsidiaries of Healthcare Trust, Inc.

Exhibit No.	Description
23.1 *	Consent of PricewaterhouseCoopers LLP
31.1 *	Certification of the Principal Executive Officer of the Company pursuant to Securities Exchange Act Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2 *	Certification of the Principal Financial Officer of the Company pursuant to Securities Exchange Act Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32 *	Written statements of the Principal Executive Officer and Principal Financial Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1 (22)	Second Amended and Restated Share Repurchase Program of Healthcare Trust, Inc.
99.2 (23)	Amendment to Second Amended and Restated Share Repurchase Program of Healthcare Trust, Inc.
99.3 (24)	Second Amendment to Second Amended and Restated Share Repurchase Program
99.4 (25)	Third Amendment to Second Amended and Restated Share Repurchase Program
99.5 (26)	Fourth Amendment to Second Amended and Restated Share Repurchase Program
99.6 (27)	Fifth Amendment to Second Amended and Restated Share Repurchase Program
101.INS *	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL
101.SCH *	XBRL Taxonomy Extension Schema Document
101.CAL *	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF *	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB *	XBRL Taxonomy Extension Label Linkbase Document
101.PRE *	XBRL Taxonomy Extension Presentation Linkbase Document
104 *	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

* Filed herewith

(1) Filed as an exhibit to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 6, 2016.
(2) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 filed with the Securities and Exchange Commission on November 14, 2017.
(3) Filed as an exhibit to the Company's Registration Statement on Form 8-A filed with the Securities and Exchange Commission on December 6, 2019.
(4) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2017 filed with the Securities and Exchange Commission on March 20, 2018.
(5) Filed as an exhibit to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 19, 2020.
(6) Filed as an exhibit to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 15, 2020.
(7) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 filed with the Securities and Exchange Commission on May 14, 2013.
(8) Filed as an exhibit to the Company's Quarterly Report on Form 10-K for the fiscal year ended December 31, 2013 filed with the Securities and Exchange Commission on March 7, 2014.
(9) Filed as an exhibit to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 17, 2017.
(10) Filed as an exhibit to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 6, 2019.
(11) Filed as an exhibit to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 25, 2019.
(12) Filed as an exhibit to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 16, 2018.
(13) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 filed with the Securities and Exchange Commission on April 15, 2015.
(14) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed with the Securities and Exchange Commission on August 15, 2016.
(15) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 filed with the Securities and Exchange Commission on November 10, 2016.
(16) Filed as an exhibit to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 27, 2019.
(17) Filed as an exhibit to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 4, 2018.
(18) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2018 filed with the Securities and Exchange Commission on August 3, 2018.
(19) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2018 filed with the Securities and Exchange Commission on March 14, 2019.
(20) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2019 filed with the Securities and Exchange Commission on March 24, 2020.
(21) Filed as an exhibit to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 13, 2020.
(22) Filed as an exhibit to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 14, 2017.
(23) Filed as an exhibit to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 29, 2019.
(24) Filed as an exhibit to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 27, 2019.
(25) Filed as an exhibit to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 23, 2019.
(26) Filed as an exhibit to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 21, 2019.
(27) Filed as an exhibit to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 9, 2020.
(28) Filed as an exhibit to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 4, 2021, and incorporated by reference herein.
(29) Filed as an exhibit to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 19, 2022, and incorporated by reference herein.
(30) Filed as an exhibit to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 10, 2021.
(31) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 filed with the Securities and Exchange Commission on August 12, 2022.
(32) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 filed with the Securities and Exchange Commission on November 12, 2021.

Item 16. Form 10-K Summary.

Not applicable.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized this 17th day of March, 2023.

HEALTHCARE TRUST, INC.

By /s/ Edward M. Weil, Jr.

Edward M. Weil, Jr.

Chief Executive Officer and President
(Principal Executive Officer)

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

Name	Capacity	Date
/s/ Leslie D. Michelson Leslie D. Michelson	Non-Executive Chairman of the Board of Directors, Independent Director	March 17, 2023
/s/ Scott M. Lappetito Scott M. Lappetito	Chief Financial Officer, Treasurer and Secretary (Principal Financial Officer and Principal Accounting Officer)	March 17, 2023
/s/ Edward M. Weil, Jr. Edward M. Weil, Jr.	Chief Executive Officer, President and Director (Principal Executive Officer)	March 17, 2023
/s/ Elizabeth K. Tuppeny Elizabeth K. Tuppeny	Independent Director	March 17, 2023
/s/ Edward G. Rendell Edward G. Rendell	Independent Director	March 17, 2023
/s/ B.J. Penn B.J. Penn	Independent Director	March 17, 2023

HEALTHCARE TRUST, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Healthcare Trust, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Healthcare Trust, Inc. and its subsidiaries (the "Company") as of December 31, 2022 and 2021, and the related consolidated statements of operations and comprehensive loss, of changes in equity and of cash flows for each of the three years in the period ended December 31, 2022, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Critical Audit Matters

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

Purchase Price Allocations for Property Acquisitions

As described in Note 3 to the consolidated financial statements, during the year ended December 31, 2022, the Company completed real estate acquisitions, net of below market lease liabilities assumed, of $25.5 million. For acquired properties with leases classified as operating leases, management allocated the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their respective fair values. Tangible assets include land, land improvements, buildings, fixtures and tenant improvements on an as-if vacant basis. Management utilizes various estimates, processes and information to determine the as-if vacant property value. Management estimates fair value using data from appraisals, comparable sales, discounted cash flow analysis and other methods. Fair value estimates are also made using significant assumptions such as capitalization rates, fair market lease rates, discount rates and land values per square foot. Identifiable intangible assets include amounts allocated to acquire leases for above- and below-market lease rates and the value of in-place leases. Above-market and below-market lease values for acquired properties are initially recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining initial term of the lease for above-market leases and the remaining initial term plus the term of any below- market fixed rate renewal options for below-market leases.

The principal considerations for our determination that performing procedures relating to purchase price allocations for property acquisitions is a critical audit matter are (i) the significant judgment by management when developing the fair value estimates of tangible and intangible assets acquired and liabilities assumed; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's significant assumptions related to capitalization rates, fair market lease

Report of Independent Registered Public Accounting Firm

rates, discount rates and land values per square foot; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others (i) reading the purchase agreements and lease documents; (ii) testing the completeness and accuracy of underlying data used by management in the fair value estimates, and (iii) testing management's process for estimating the fair value of tangible and intangible assets acquired and liabilities assumed, including testing management's projected cash flows and evaluating the accuracy of valuation outputs. Testing management's process included evaluating the appropriateness of the valuation methods and reasonableness of the significant assumptions related to capitalization rates, fair market lease rates, discount rates and land values per square foot. Evaluating the reasonableness of the significant assumptions included considering whether these assumptions were consistent with external market data, comparable transactions, and evidence obtained in other areas of the audit. In conjunction with certain purchase price allocations, professionals with specialized skill and knowledge were used to assist in evaluating the reasonableness of certain assumptions utilized by management related to capitalization rates, fair market lease rates, discount rates and land values per square foot.

/s/ PricewaterhouseCoopers LLP
New York, New York
March 17, 2023

We have served as the Company's auditor since 2019.

HEALTHCARE TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	December 31, 2022	December 31, 2021
ASSETS		
Real estate investments, at cost:		
Land	$ 206,454	$ 206,392
Buildings, fixtures and improvements	2,089,133	2,117,896
Acquired intangible assets	292,034	288,372
Total real estate investments, at cost	2,587,621	2,612,660
Less: accumulated depreciation and amortization	(609,324)	(562,733)
Total real estate investments, net	1,978,297	2,049,927
Cash and cash equivalents	53,654	59,738
Restricted cash	22,884	25,644
Derivative assets, at fair value	40,647	174
Straight-line rent receivable, net	25,276	23,858
Operating lease right-of-use assets	7,814	7,914
Prepaid expenses and other assets (including $929 due from related parties as of December 31, 2021)	34,554	32,564
Deferred costs	17,223	14,581
Total assets	$ 2,180,349	$ 2,214,400
LIABILITIES AND EQUITY		
Mortgage notes payable, net	$ 578,700	$ 584,239
Credit facilities, net	530,297	502,051
Market lease intangible liabilities, net	9,407	10,943
Derivative liabilities, at fair value	—	13,903
Accounts payable and accrued expenses (including $47 due to related parties as of December 31, 2022 and 2021)	45,247	42,709
Operating lease liabilities	8,087	8,130
Deferred rent	5,925	8,619
Distributions payable	3,496	3,406
Total liabilities	1,181,159	1,174,000
Stockholders' Equity		
7.375% Series A cumulative redeemable perpetual preferred stock, $0.01 par value, 4,740,000 authorized as of December 31, 2022 and 2021; 3,977,144 issued and outstanding as of December 31, 2022 and 2021	40	40
7.125% Series B cumulative redeemable perpetual preferred stock, $0.01 par value, 3,680,000 authorized; 3,630,000 issued and outstanding as of December 31, 2022 and 2021	36	36
Common stock, $0.01 par value, 300,000,000 shares authorized, 105,080,531 shares and 99,281,754 shares issued and outstanding as of December 31, 2022 and 2021, respectively	1,051	993
Additional paid-in capital	2,417,059	2,329,839
Accumulated other comprehensive income (loss)	36,910	(14,341)
Distributions in excess of accumulated earnings	(1,462,457)	(1,282,871)
Total stockholders' equity	992,639	1,033,696
Non-controlling interests	6,551	6,704
Total equity	999,190	1,040,400
Total liabilities and equity	$ 2,180,349	$ 2,214,400

The accompanying notes are an integral part of these consolidated financial statements.

HEALTHCARE TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands, except share and per share data)

	Year Ended December 31,		
	2022	**2021**	**2020**
Revenue from tenants	$ 335,846	$ 329,355	$ 381,612
Operating expenses:			
Property operating and maintenance	213,444	205,813	243,548
Impairment charges	27,630	40,951	36,446
Operating fees to related parties	25,353	24,206	23,922
Acquisition and transaction related	1,484	2,714	173
General and administrative	17,287	16,828	21,572
Depreciation and amortization	82,064	79,926	81,053
Total expenses	367,262	370,438	406,714
Operating loss before gain on sale of real estate investments	(31,416)	(41,083)	(25,102)
Gain (loss) on sale of real estate investments	(125)	3,648	5,230
Operating loss	(31,541)	(37,435)	(19,872)
Other income (expense):			
Interest expense	(51,740)	(47,900)	(51,519)
Interest and other income	27	61	44
Gain (loss) on non-designated derivatives	3,834	37	(102)
Total other expenses	(47,879)	(47,802)	(51,577)
Loss before income taxes	(79,420)	(85,237)	(71,449)
Income tax expense	(201)	(203)	(4,061)
Net loss	(79,621)	(85,440)	(75,510)
Net loss (income) attributable to non-controlling interests	135	260	(303)
Allocation for preferred stock	(13,799)	(7,762)	(2,968)
Net loss attributable to common stockholders	(93,285)	(92,942)	(78,781)
Other comprehensive income (loss):			
Unrealized gain (loss) on designated derivatives	51,251	25,332	(32,630)
Comprehensive loss attributable to common stockholders	$ (42,034)	$ (67,610)	$ (111,411)
Weighted-average common shares outstanding — Basic and Diluted [(1)]	106,428,154	106,354,994	106,119,937
Net loss per common share attributable to common stockholders — Basic and Diluted [(1)]	$ (0.88)	$ (0.87)	$ (0.74)

(1) Retroactively adjusted for the effects of the Stock Dividends (see Note 1 — *Organization* for details).

The accompanying notes are an integral part of these consolidated financial statements.

HEALTHCARE TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Years Ended December 31, 2022, 2021 and 2020
(In thousands, except share data)

	Series A Preferred Stock		Series B Preferred Stock		Common Stock							
	Number of Shares	Par Value	Number of Shares	Par Value	Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Distributions in Excess of Accumulated Earnings	Total Stockholders' Equity	Non-controlling Interests	Total Equity
Balance, December 31, 2019	1,610,000	$ 16	—	$ —	92,356,664	$ 923	$ 2,078,628	$ (7,043)	$ (971,190)	$ 1,101,334	$ 5,410	$ 1,106,744
Issuance of Series A Preferred Stock, net	—	—	—	—	—	—	(59)	—	—	(59)	—	(59)
Common stock issued through distribution reinvestment plan	—	—	—	—	875,986	9	14,595	—	—	14,604	—	14,604
Common stock repurchases	—	—	—	—	(705,101)	(7)	(10,539)	—	—	(10,546)	—	(10,546)
Share-based compensation, net	—	—	—	—	—	—	1,345	—	—	1,345	—	1,345
Distributions declared in common stock, $0.21 per share	—	—	—	—	1,248,197	13	19,646	—	(19,659)	—	—	—
Distributions declared in cash on common stock, $0.42 per share	—	—	—	—	—	—	—	—	(38,839)	(38,839)	—	(38,839)
Dividends declared on Series A Preferred Stock, $1.84 per share	—	—	—	—	—	—	—	—	(2,968)	(2,968)	—	(2,968)
Distributions to non-controlling interest holders	—	—	—	—	—	—	—	—	—	—	(201)	(201)
Buyout of non-controlling interest	—	—	—	—	—	—	—	—	(88)	(88)	(495)	(583)
Net loss	—	—	—	—	—	—	—	—	(75,813)	(75,813)	303	(75,510)
Unrealized loss on designated derivative	—	—	—	—	—	—	—	(32,615)	—	(32,615)	—	(32,615)
Rebalancing of ownership percentage	—	—	—	—	—	—	645	(15)	—	630	(630)	—
Balance, December 31, 2020	1,610,000	16	—	—	93,775,746	938	2,104,261	(39,673)	(1,108,557)	956,985	4,387	961,372
Issuance of Series A Preferred Stock, net	2,367,144	24	—	—	—	—	56,241	—	—	56,265	—	56,265
Issuance of Series B Preferred Stock, net	—	—	3,630,000	36	—	—	86,783	—	—	86,819	—	86,819
Share-based compensation, net	—	—	—	—	—	—	1,329	—	—	1,329	—	1,329
Distributions declared in common stock, $0.85 per share	—	—	—	—	5,506,008	55	81,316	—	(81,371)	—	—	—
Dividends declared on Series A Preferred Stock, $1.57 per share	—	—	—	—	—	—	—	—	(6,236)	(6,236)	—	(6,236)
Dividends declared on Series B Preferred Stock, $0.42 per share	—	—	—	—	—	—	—	—	(1,527)	(1,527)	—	(1,527)
Distributions to non-controlling interest holders	—	—	—	—	—	—	—	—	—	—	(92)	(92)
Issuance of Series A Preferred OP Units	—	—	—	—	—	—	—	—	—	—	2,578	2,578
Net loss	—	—	—	—	—	—	—	—	(85,180)	(85,180)	(260)	(85,440)
Unrealized loss on designated derivative	—	—	—	—	—	—	—	25,332	—	25,332	—	25,332
Rebalancing of ownership percentage	—	—	—	—	—	—	(91)	—	—	(91)	91	—
Balance, December 31, 2021	3,977,144	40	3,630,000	36	99,281,754	993	2,329,839	(14,341)	(1,282,871)	1,033,696	6,704	1,040,400
Issuance of Series A Preferred Stock, net	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of Series B Preferred Stock, net	—	—	—	—	—	—	(42)	—	—	(42)	—	(42)
Share-based compensation, net	—	—	—	—	—	—	1,185	—	—	1,185	—	1,185
Distributions declared in common stock, $0.85 per share	—	—	—	—	5,798,777	58	86,243	—	(86,301)	—	—	—
Dividends declared Series A Preferred Stock, $1.84 per share	—	—	—	—	—	—	—	—	(7,333)	(7,333)	—	(7,333)
Dividends declared on Series B Preferred Stock, $1.78 per share	—	—	—	—	—	—	—	—	(6,466)	(6,466)	—	(6,466)
Distributions to non-controlling interest holders	—	—	—	—	—	—	—	—	—	—	(184)	(184)
Net loss	—	—	—	—	—	—	—	—	(79,486)	(79,486)	(135)	(79,621)
Unrealized loss on designated derivative	—	—	—	—	—	—	—	51,251	—	51,251	—	51,251
Rebalancing of ownership percentage	—	—	—	—	—	—	(166)	—	—	(166)	166	—
Balance, December 31, 2022	3,977,144	$ 40	3,630,000	$ 36	105,080,531	$ 1,051	$ 2,417,059	$ 36,910	$ (1,462,457)	$ 992,639	$ 6,551	$ 999,190

The accompanying notes are an integral part of these consolidated financial statements.

HEALTHCARE TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2022	2021	2020
Cash flows from operating activities:			
Net loss	$ (79,621)	$ (85,440)	$ (75,510)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	82,064	79,926	81,053
Amortization (including write-offs) of deferred financing costs	4,879	4,427	4,059
Amortization of terminated swap	423	846	846
Amortization of mortgage premiums and discounts, net	51	55	60
(Accretion) amortization of market lease and other intangibles, net	(625)	(198)	(80)
Bad debt expense	3,159	1,094	2,708
Equity-based compensation	1,185	1,329	1,345
(Gain) loss on non-designated derivative instruments	(3,834)	(37)	102
Cash received from non-designated derivative instruments	286	—	—
(Gain) loss on sales of real estate investments, net	125	(3,648)	(5,230)
Impairment charges	27,630	40,951	36,446
Deferred tax valuation allowance	2,750	(483)	4,641
Changes in assets and liabilities:			
Straight-line rent receivable	(1,523)	(761)	(2,409)
Prepaid expenses and other assets	(3,036)	(2,139)	(63)
Accounts payable, accrued expenses and other liabilities	(2,924)	1,252	(4,554)
Deferred rent	(2,694)	1,705	(1,607)
Net cash provided by operating activities	28,295	38,879	41,807
Cash flows from investing activities:			
Property acquisitions and development costs	(25,538)	(159,300)	(94,984)
Capital expenditures and other assets acquired	(27,993)	(19,071)	(21,892)
Proceeds from sales of real estate investments	11,749	130,449	34,385
Net cash used in investing activities	(41,782)	(47,922)	(82,491)
Cash flows from financing activities:			
Payments on credit facilities	(2,998)	(298,804)	(26,091)
Proceeds from credit facilities	30,000	125,000	95,000
Proceeds from mortgage notes payable	—	42,750	—
Payments on mortgage notes payable	(6,662)	(1,264)	(1,048)
Payments for non-designated derivative instruments	—	(85)	(97)
Payments of deferred financing costs	(1,672)	(1,490)	(2,241)
Proceeds from issuance of Series A Preferred Stock, net	—	56,265	(1,016)
Proceeds from issuance of Series B Preferred Stock, net	(42)	86,897	—
Common stock repurchases	—	—	(10,539)
Distributions paid on common stock	—	—	(31,354)
Dividends paid on Series A Preferred stock	(7,333)	(5,144)	(2,399)
Dividends paid on Series B Preferred stock	(6,466)	—	—
Buyout of non-controlling interest holders	—	—	(583)
Distributions to non-controlling interest holders	(184)	(46)	(201)
Net cash provided by financing activities	4,643	4,079	19,431
Net change in cash, cash equivalents and restricted cash	(8,844)	(4,964)	(21,253)
Cash, cash equivalents and restricted cash, beginning of year	85,382	90,346	111,599
Cash, cash equivalents and restricted cash, end of year	$ 76,538	$ 85,382	$ 90,346

HEALTHCARE TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2022	2021	2020
Cash, cash equivalents, end of period	$ 53,654	$ 59,738	$ 72,357
Restricted cash, end of period	22,884	25,644	17,989
Cash, cash equivalents and restricted cash, end of period	$ 76,538	$ 85,382	$ 90,346
Supplemental disclosures of cash flow information:			
Cash paid for interest	$ 45,042	$ 42,815	$ 47,878
Cash paid for income taxes	566	311	315
Non-cash investing and financing activities:			
Common stock issued through distribution reinvestment plan	$ —	$ —	$ 14,604
Common stock issued through stock dividends	86,301	81,371	19,659
Accrued capital expenditures	—	—	1,287
Accrued offering costs on Series B Preferred Stock	—	78	—
Mortgage assumed in acquisition	—	—	13,883

The accompanying notes are an integral part of these consolidated financial statements.

HEALTHCARE TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

Note 1 — Organization

Healthcare Trust, Inc. (including, as required by context, Healthcare Trust Operating Partnership, L.P. (the "OP") and its subsidiaries, the "Company"), is an externally managed real estate investment trust for U.S. federal income tax purposes ("REIT") that focuses on acquiring and managing a diversified portfolio of healthcare-related real estate, focused on medical office and other healthcare-related buildings ("MOBs"), and senior housing operating properties ("SHOPs").

As of December 31, 2022, the Company owned 202 properties located in 34 states and comprised of 9.1 million rentable square feet.

Substantially all of the Company's business is conducted through the OP and its wholly owned subsidiaries, including taxable REIT subsidiaries. The Company's advisor, Healthcare Trust Advisors, LLC (the "Advisor") manages our day-to-day business with the assistance of our property manager, Healthcare Trust Properties, LLC (the "Property Manager"). The Company's Advisor and Property Manager are under common control with AR Global Investments, LLC ("AR Global"), and these related parties receive compensation and fees for providing services to the Company. The Company also reimburses these entities for certain expenses they incur in providing these services to the Company. Healthcare Trust Special Limited Partnership, LLC (the "Special Limited Partner"), which is also under common control with AR Global, also has an interest in the Company through ownership of interests in the OP. As of December 31, 2022, the Company owned 52 seniors housing properties under the REIT Investment Diversification and Empowerment Act of 2007 ("RIDEA") structure in its SHOP segment. Under RIDEA, a REIT may lease qualified healthcare properties on an arm's length basis to a taxable REIT subsidiary ("TRS") if the property is operated on behalf of such subsidiary by a person who qualifies as an eligible independent contractor.

The Company operates in two reportable business segments for management and internal financial reporting purposes: MOBs and SHOPs. In its MOB operating segment, the Company owns, manages, and leases single and multi-tenant MOBs where tenants are required to pay their pro rata share of property operating expenses, which may be subject to expense exclusions and floors, in addition to base rent. The Property Manager or third party managers manage the Company's MOBs. In its SHOP segment, the Company invests in seniors housing properties using the RIDEA structure. As of December 31, 2022, the Company had four eligible independent contractors operating 52 SHOPs (including two land parcels). All of the Company's properties across both business segments are located throughout the United States.

The Company has declared quarterly dividends entirely in shares of its common stock since October 2020 in order to preserve its liquidity in response to the COVID-19 pandemic. Dividends payable entirely in shares of common stock are treated in a fashion similar to a stock split for accounting purposes specifically related to per-share calculations for the current and prior periods. Since October 2020, the Company has issued an aggregate of approximately 12.6 million shares in respect to the Stock Dividends. No other additional shares of common stock were issued during the years ended December 31, 2022 or 2021. References made to weighted-average shares and per-share amounts in the accompanying consolidated statements of operations and comprehensive income have been retroactively adjusted to reflect the cumulative increase in shares outstanding resulting from the Stock Dividends since October 2020 and through January 2023, and are noted as such throughout the accompanying financial statements and notes. Any future issuances of stock dividends will also result in retroactive adjustments. Please see *Note 8 — Stockholder's Equity* for additional information on the stock dividends.

On April 1, 2022, the Company published a new estimate of per-share net asset value ("Estimated Per-Share NAV") as of December 31, 2021. The Company's previous Estimated Per-Share NAV was as of December 31, 2020. The Estimated Per-Share NAV published on April 1, 2022 has not been adjusted since publication and will not be adjusted until the board of directors (the "Board") determines a new Estimated Per-Share NAV. Issuing dividends in additional shares of common stock will, all things equal, cause the value of each share to decline because the number of shares outstanding increases when shares of common stock are issued in respect of a Stock Dividend; however, because each stockholder will receive the same number of new shares, the total value of a common stockholder's investment, all things equal, will not change assuming no sales or other transfers. The Company intends to publish Estimated Per-Share NAV periodically at the discretion of the Board, provided that such estimates will be made at least once annually unless the Company lists its common stock.

Note 2 — Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements of the Company are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP").

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company, the OP and its subsidiaries. All inter-company accounts and transactions are eliminated in consolidation. In determining whether the Company has a controlling financial interest in a joint venture and the requirement to consolidate the accounts of that entity, management considers factors such as ownership interest, authority to make decisions and contractual and substantive participating rights of the other partners or members as well as whether the entity is a variable interest entity ("VIE") for which the Company is the primary beneficiary. The Company has determined the OP is a VIE of which the Company is the primary beneficiary. Substantially all of the Company's assets and liabilities are held by the OP.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management makes significant estimates regarding revenue recognition, purchase price allocations to record investments in real estate, impairments, fair value measurements and income taxes, as applicable.

Out-of-Period Adjustment

During the year ended December 31, 2019, the Company did not record quarterly interest expense related to borrowings under the Revolving Credit Facility (as defined below) that were borrowed and repaid during the fourth quarter of 2019. The amount of interest expense and related payable that should have been recorded was $0.3 million. In 2020, the Company identified that the cumulative interest payable balance was understated, and as a result a true up entry was recorded to record the payable and related expense, resulting in an out of period adjustment. The Company concluded that the errors noted above were not material for the period ended December 31, 2019 or any prior periods and adjusted the amounts on a cumulative basis in 2020.

Impacts of the COVID-19 Pandemic

During the first quarter of 2020, the global COVID-19 pandemic that has spread around the world and to every state in the United States commenced. The COVID-19 pandemic has had, and could continue to have, an adverse impact on economic conditions, including a global economic slowdown and recession that may continue for some time. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19 on economic and market conditions. The COVID-19 pandemic had, and another pandemic in the future could have, impacts across many sectors and areas of the global economy and financial markets, leading to significant adverse impacts on economic activity including volatility in financial markets. The Company's MOB tenants and SHOP properties operate businesses that require in-person interactions with their patients and residents, and concern regarding the transmission of COVID-19 impacted the willingness of persons to, among other things, live in or use facilities at the Company's properties, and impact the revenues generated by the Company's tenants.

The Company's ability to lease space and negotiate and maintain favorable rents and the results of operations at its SHOPs could also continue to be negatively impacted by a prolonged recession in the U.S. economy. Moreover, the demand for leasing space at the Company's MOB properties could decline, which could negatively impacting occupancy percentage, revenue and net income. Additionally, downturns or stagnation the U.S. housing market as a result of an economic downturn could adversely affect the ability, or perceived ability, of seniors to afford the resident fees and services at the Company's SHOPs. Further, recent and continuing increases in inflation brought about by the labor shortages, supply chain disruptions and increases in interest rates have adversely impacted, and may continue to impact, the Company's results of operations. Moreover, these increases in the rate of inflation, the ongoing war in Ukraine and related sanctions, supply chain disruptions and increases in interest rates may also impact the ability of the Company's tenants and residents to pay rent and hence the Company's results of operations and liquidity.

Starting in March 2020, the COVID-19 pandemic and measures to prevent its spread began to affect the Company in a number of ways that vary by operating segment:

COVID-19 Impact — MOB Segment

The financial stability and overall health of the Company's MOB tenants is critical to its business. The Company took a proactive approach to achieve mutually agreeable solutions with its MOB tenants and in some cases, during the year ended December 31, 2020, the Company executed lease amendments providing for deferral of rent. Since the year ended December 31, 2020, the Company has not entered into any rent deferral agreements with any of its MOB tenants, and all amounts previously deferred under prior rent deferral agreements have been collected.

For accounting purposes, in accordance with ASC 842: Leases, normally a company would be required to assess a lease modification to determine if the lease modification should be treated as a separate lease and if not, modification accounting would be applied which would require a company to reassess the classification of the lease (including leases for which the prior classification under ASC 840 was retained as part of the election to apply the package of practical expedients allowed upon the adoption of ASC 842, which doesn't apply to leases subsequently modified). However, in light of the COVID-19 pandemic in which many leases are being modified, the FASB and SEC have provided relief that allows companies to make a policy election as to whether they treat COVID-19 related lease amendments as a provision included in the pre-concession arrangement, and therefore, not a lease modification, or to treat the lease amendment as a modification. In order to be considered COVID-19 related, cash flows must be substantially the same or less than those prior to the concession. For COVID-19 relief qualified changes, there are two methods to potentially account for such rent deferrals or abatements under the relief, (1) as if the changes were originally contemplated in the lease contract or (2) as if the deferred payments are variable lease payments contained in the lease contract.

For all other lease changes that did not qualify for FASB relief, the Company is required to apply modification accounting including assessing classification under ASC 842. Some, but not all of the Company's lease modifications qualify for the FASB relief. In accordance with the relief provisions, instead of treating these qualifying leases as modifications, the Company has elected to treat the modifications as if previously contained in the lease and recast rents receivable prospectively (if necessary). Under that accounting, for modifications that were deferrals only, there would be no impact on overall rental revenue and for any abatement amounts that reduced total rent to be received, the impact would be recognized ratably over the remaining life of the lease. For leases not qualifying for this relief, the Company has applied modification accounting and determined that there were no changes in the current classification of its leases impacted by negotiations with its tenants.

COVID-19 Impact — SHOP Segment

In the Company's SHOP segment, occupancy trended downward from March 2020 until June 2021 and has since stabilized, however, SHOP occupancy remains substantially below pre-pandemic levels. Further, the Company has continued to experience lower inquiry volumes and reduced in-person tours since the onset of the pandemic. In addition, starting in mid-March 2020, operating costs began to rise materially, including for services, labor and personal protective equipment and other supplies, as the Company's operators took appropriate actions to protect residents and caregivers. At the SHOPs, the Company generally bears these cost increases, which were partially offset by funds received under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), and to a lesser extent, cost recoveries for personal protective equipment from residents. See below for additional information on the CARES Act. These cost increases became more prominent throughout the year ended December 31, 2022 from a combination of factors: firstly, the Company was impacted by rising inflation which generally increased the costs of services and supplies, secondly, the Company relied more on the use of temporary contract labor and agencies due to a shortage of qualified personnel and lastly, the amounts the Company paid to third party providers for wages, including overtime wages, and bonuses increased. Future developments in the course of the pandemic, increases to inflation, labor shortages and supply chain disruptions may cause further adverse impacts to the Company's occupancy and cost levels, and these trends may continue to impact the Company and have material adverse effects on its revenues, operating costs and net income in future periods.

The financial impact of the COVID-19 pandemic on the Company has been partially offset by funds received under the CARES Act. The Company received $4.5 million, $5.1 million and $3.6 million in these funds during the years ended December 31, 2022, 2021 and 2020, respectively. The Company considers these funds to be grant contributions from the government. The full amounts received were recognized as reductions of property operating expenses in the Company's consolidated statement of operations for the years ended December 31, 2022, 2021 and 2020, respectively, to partially offset incurred COVID-19 expenses. The Company does not anticipate that any further funds under the CARES Act will be received, and there can be no assurance that the CARES Act program will be extended or any further amounts received under currently effective or potential future government programs.

Revenue Recognition

The Company's revenues, which are derived primarily from lease contracts, include rent received from tenants in its MOB segment. As of December 31, 2022, these leases had a weighted average remaining lease term of 4.9 years. Rent from tenants in the Company's MOB operating segment (as discussed below) is recorded in accordance with the terms of each lease on a straight-line basis over the initial term of the lease. Because many of the leases provide for rental increases at specified intervals, straight-line basis accounting requires the Company to record a receivable for, and include in revenue from tenants on a straight-line basis, unbilled rent receivables that the Company will only receive if the tenant makes all rent payments required through the expiration of the initial term of the lease. When the Company acquires a property, the acquisition date is considered to be the commencement date for purposes of this calculation. For new leases after acquisition, the commencement date is considered to be the date the tenant takes control of the space. For lease modifications, the commencement date is considered to be the date the lease modification is executed. The Company defers the revenue related to lease payments received from tenants in advance of their due dates. Tenant revenue also includes operating expense reimbursements which generally increase with the increase in property operating and maintenance expenses in our MOB segment. In addition to base rent, dependent on the specific lease, tenants are generally required to pay either (i) their pro rata share of property operating and maintenance expenses, which may be subject to expense exclusions and floors or (ii) the their share of increases in property operating and maintenance expenses to the extent they exceed the properties' expenses for the base year of the respective leases. Under ASC 842, the Company has elected to report combined lease and non-lease components in a single line "Revenue from tenants." For expenses paid directly by the tenant, under both ASC 842 and 840, the Company has reflected them on a net basis.

The Company's revenues also include resident services and fee income primarily related to rent derived from lease contracts with residents in the Company's SHOP segment, held using a structure permitted under RIDEA, and to a lesser extent, fees for ancillary services performed for SHOP residents, which are generally variable in nature. Rental income from residents in the Company's SHOP segment is recognized as earned when services are provided. Residents pay monthly rent that covers occupancy of their unit and basic services, including utilities, meals and some housekeeping services. The terms of the leases are short term in nature, primarily month-to-month. The Company did not record material amounts of ancillary revenue from non-residents during the year ended December 31, 2022. The Company recorded ancillary revenue from non-residents of $3.5 million and $13.3 million for the years ended December 31, 2021 and 2020, respectively. Fees for ancillary services are recorded in the period in which the services are performed. The decline in ancillary revenue since the year ended December 31, 2020 is primarily due to the Company's dispositions of its SNF properties in Lutz and Wellington, Florida, which were sold in November 2020 and May 2021, respectively.

The Company defers the revenue related to lease payments received from tenants and residents in advance of their due dates. Pursuant to certain of the Company's lease agreements, tenants are required to reimburse the Company for certain property operating and maintenance expenses related to non-SHOP assets (recorded in revenue from tenants), in addition to paying base rent, whereas under certain other lease agreements, the tenants are directly responsible for all operating and maintenance costs of the respective properties.

The following table presents future base rent payments on a cash basis due to the Company as of December 31, 2022 over the next five years and thereafter. These amounts exclude tenant reimbursements and contingent rent payments, as applicable, that may be collected from certain tenants based on provisions related to sales thresholds and increases in annual rent based on exceeding certain economic indexes, among other items. These amounts also exclude SHOP leases which are short-term in nature.

(In thousands)	Future Base Rent Payments
2023	$ 106,009
2024	99,507
2025	88,452
2026	80,462
2027	62,175
Thereafter	215,275
Total	$ 651,880

The Company continually reviews receivables related to rent and unbilled rents receivable and determines collectability by taking into consideration the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area in which the property is located. Under the leasing standards, the Company is required to assess, based on credit risk only, if it is probable that the Company will collect virtually all of the lease payments at lease commencement date and it must continue to reassess collectability periodically thereafter based on new facts and circumstances affecting the credit risk of the tenant. Partial reserves, or the ability to assume partial recovery are no longer permitted. If the Company determines that it is probable it will collect virtually all of the lease payments (rent and common area maintenance), the lease will continue to be accounted for on an accrual basis (i.e., straight-line). However, if the Company determines it is not probable that it will collect virtually all of the lease payments, the lease will be accounted for on a cash basis and a full reserve would be recorded on previously accrued amounts in cases where it was subsequently concluded that collection was not probable. Cost recoveries from tenants are included in operating revenue from tenants in accordance with accounting rules, on the accompanying consolidated statements of operations and comprehensive income (loss) in the period the related costs are incurred, as applicable.

During the years ended December 31, 2022, 2021 and 2020, the Company recorded reductions in revenue of $3.2 million, $1.1 million and $2.7 million, respectively. Approximately $1.3 million and $1.0 million of bad debt expense recorded in the years ended December 31, 2022 and 2020, respectively, related to previously disposed properties. There were no significant write-off's related to previously disposed properties during the year ended December 31, 2021.

Investments in Real Estate

Investments in real estate are recorded at cost. Improvements and replacements are capitalized when they extend the useful life or improve the productive capacity of the asset. Costs of repairs and maintenance are expensed as incurred.

At the time an asset is acquired, the Company evaluates the inputs, processes and outputs of the asset acquired to determine if the transaction is a business combination or asset acquisition. If an acquisition qualifies as a business combination, the related transaction costs are recorded as an expense in the consolidated statements of operations and comprehensive loss. If an acquisition qualifies as an asset acquisition, the related transaction costs are generally capitalized and subsequently amortized over the useful life of the acquired assets. See the "*Purchase Price Allocation"* section in this Note for a discussion of the initial accounting for investments in real estate.

Disposal of real estate investments that represent a strategic shift in operations that will have a major effect on the Company's operations and financial results are required to be presented as discontinued operations in the consolidated statements of operations. No properties were presented as discontinued operations during the years ended December 31, 2022, 2021 and 2020. Properties that are intended to be sold are to be designated as "held for sale" on the consolidated balance sheets at the lesser of carrying amount or fair value less estimated selling costs when they meet specific criteria to be presented as held for sale, most significantly that the sale is probable within one year. The Company evaluates probability of sale based on specific facts including whether a sales agreement is in place and the buyer has made significant non-refundable deposits. Properties are no longer depreciated when they are classified as held for sale. There were no real estate investments held for sale as of December 31, 2022 or December 31, 2021.

The Company generally determines the value of construction in progress based upon the replacement cost. During the construction period, the Company capitalizes interest, insurance and real estate taxes until the development has reached substantial completion.

Purchase Price Allocation

In both a business combination and an asset acquisition, the Company allocates the purchase price of acquired properties to tangible and identifiable intangible assets or liabilities based on their respective fair values. Tangible assets may include land, land improvements, buildings, fixtures and tenant improvements on an as if vacant basis. Intangible assets may include the value of in-place leases and above- and below-market leases and other identifiable assets or liabilities based on lease or property specific characteristics. In addition, any assumed mortgages receivable or payable and any assumed or issued non-controlling interests (in a business combination) are recorded at their estimated fair values. In allocating the fair value to assumed mortgages, amounts are recorded to debt premiums or discounts based on the present value of the estimated cash flows, which is calculated to account for either above or below-market interest rates. In allocating the fair value to any assumed or issued non-controlling interests, amounts are recorded at their fair value at the close of business on the acquisition date. In a business combination, the difference between the purchase price and the fair value of identifiable net assets acquired is either recorded as goodwill or as a bargain purchase gain. In an asset acquisition, the difference between the acquisition price (including capitalized transaction costs) and the fair value of identifiable net assets acquired is allocated to the non-current assets.

For acquired properties with leases classified as operating leases, the Company allocates the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed, based on their respective fair values. In making estimates of fair values for purposes of allocating purchase price, the Company utilizes a number of sources, including independent appraisals that may be obtained in connection with the acquisition or financing of the respective property and other market data. The Company also considers information obtained about each property as a result of the Company's pre-acquisition due diligence in estimating the fair value of the tangible and intangible assets acquired and intangible liabilities assumed.

Tangible assets include land, land improvements, buildings, fixtures and tenant improvements on an as-if vacant basis. The Company utilizes various estimates, processes and information to determine the as-if vacant property value. The Company estimates the fair value using data from appraisals, comparable sales, discounted cash flow analysis and other methods. Fair value estimates are also made using significant assumptions such as capitalization rates, fair market lease rates, discount rates and land values per square foot.

Identifiable intangible assets include amounts allocated to acquire leases for above- and below-market lease rates and the value of in-place leases. Factors considered in the analysis of the in-place lease intangibles include an estimate of carrying costs during the expected lease-up period for each property, taking into account current market conditions and costs to execute similar leases. In estimating carrying costs, the Company includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at contract rates during the expected lease-up period, which typically ranges from six to 24 months. The Company also estimates costs to execute similar leases including leasing commissions, legal and other related expenses.

Above-market and below-market lease values for acquired properties are initially recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining initial term of the lease for above-market leases and the remaining initial term plus the term of any below-market fixed rate renewal options for below-market leases.

The aggregate value of intangible assets related to customer relationship, as applicable, is measured based on the Company's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with the tenant. Characteristics considered by the Company in determining these values include the nature and extent of its existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals, among other factors. The Company did not record any intangible asset amounts related to customer relationships during the years ended December 31, 2022, 2021 and 2020.

Accounting for Leases

Lessor Accounting

In accordance with the lease accounting standard, all of the Company's leases as lessor prior to adoption were accounted for as operating leases. The Company evaluates new leases originated after the adoption date (by the Company or by a predecessor lessor/owner) pursuant to the new guidance where a lease for some or all of a building is classified by a lessor as a sales-type lease if the significant risks and rewards of ownership reside with the tenant. This situation is met if, among other things, there is an automatic transfer of title during the lease, a bargain purchase option, the non-cancelable lease term is for more than a major part of the remaining economic useful life of the asset (e.g., equal to or greater than 75%), the present value of the minimum lease payments represents substantially all (e.g., equal to or greater than 90%) of the leased property's fair value at lease inception, or the asset is so specialized in nature that it provides no alternative use to the lessor (and therefore would not provide any future value to the lessor) after the lease term. Further, such new leases would be evaluated to consider whether they would be failed sale-leaseback transactions and accounted for as financing transactions by the lessor. As of December 31, 2022 and 2021, the Company had no leases as a lessor that would be considered as sales-type leases or financings under sale-leaseback rules.

As a lessor of real estate, the Company has elected, by class of underlying assets, to account for lease and non-lease components (such as tenant reimbursements of property operating and maintenance expenses) as a single lease component as an operating lease because (a) the non-lease components have the same timing and pattern of transfer as the associated lease component; and (b) the lease component, if accounted for separately, would be classified as an operating lease. Additionally, only incremental direct leasing costs may be capitalized under the accounting guidance. Indirect leasing costs in connection with new or extended tenant leases, if any, are being expensed.

Lessee Accounting

The Company is also the lessee under certain land leases which will continue to be classified as operating leases under transition elections unless subsequently modified. These leases are reflected on the consolidated balance sheets as of December 31, 2022 and 2021, and the rent expense is reflected on a straight-line basis over the lease term in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2022, 2021 and 2020.

For lessees, the accounting standard requires the application of a dual lease classification approach, classifying leases as either operating or finance leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. Lease expense for operating leases is recognized on a straight-line basis over the term of the lease, while lease expense for finance leases is recognized based on an effective interest method over the term of the lease. Also, lessees must recognize a right-of-use asset ("ROU") and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Further, certain transactions where at inception of the lease the buyer-lessor accounted for the transaction as a purchase of real estate and a new lease, may now be required to have symmetrical accounting to the seller-lessee if the transaction was not a qualified sale-leaseback and accounted for as a financing transaction. For additional information and disclosures related to the Company's operating leases, see *Note 16* — *Commitments and Contingencies*.

Gain on Dispositions of Real Estate Investments

Gains on sales of rental real estate are not considered sales to customers and will generally be recognized pursuant to the provisions included in ASC 610-20, Gains and Losses from the Derecognition of Nonfinancial Assets ("ASC 610-20").

Impairment of Long-Lived Assets

When circumstances indicate the carrying value of a property may not be recoverable, the Company reviews the property for impairment. This review is based on an estimate of the future undiscounted cash flows, excluding interest charges, expected to result from the property's use and eventual disposition. These estimates consider factors such as expected future operating income, market and other applicable trends and residual value, as well as the effects of leasing demand, competition and other factors. If an impairment exists, due to the inability to recover the carrying value of a property, the Company would recognize an impairment loss in the consolidated statement of operations and comprehensive (loss) to the extent that the carrying value exceeds the estimated fair value of the property for properties to be held and used. For properties held for sale, the impairment loss recorded would equal the adjustment to fair value less estimated cost to dispose of the asset. These assessments have a direct impact on net income because recording an impairment loss results in an immediate negative adjustment to net earnings.

Reportable Segments

The Company has determined that it has two reportable segments, with activities related to investing in MOBs and SHOPs. Management evaluates the operating performance of the Company's investments in real estate and seniors housing properties on an individual property level. For additional information see *Note 15 — Segment Reporting*.

Depreciation and Amortization

Depreciation is computed using the straight-line method over the estimated useful lives of up to 40 years for buildings, 15 years for land improvements, 7 to 10 years for fixtures and improvements, and the shorter of the useful life or the remaining lease term for tenant improvements and leasehold interests.

Construction in progress, including capitalized interest, insurance and real estate taxes, is not depreciated until the development has reached substantial completion. The value of certain other intangibles such as certificates of need in certain jurisdictions are amortized over the expected period of benefit (generally the life of the related building).

The value of in-place leases, exclusive of the value of above-market and below-market in-place leases, is amortized to expense over the remaining periods of the respective leases.

The value of customer relationship intangibles, if any, is amortized to expense over the initial term and any renewal periods in the respective leases, but in no event does the amortization period for intangible assets exceed the remaining depreciable life of the building. If a tenant terminates its lease, the unamortized portion of the in-place lease value and customer relationship intangibles is charged to expense.

Assumed mortgage premiums or discounts are amortized as an increase or reduction to interest expense over the remaining terms of the respective mortgages.

Above and Below-Market Lease Amortization

Capitalized above-market lease values are amortized as a reduction of revenue from tenants over the remaining terms of the respective leases and the capitalized below-market lease values are amortized as an increase to revenue from tenants over the remaining initial terms plus the terms of any below-market fixed rate renewal options of the respective leases. If a tenant with a below-market rent renewal does not renew, any remaining unamortized amount will be taken into income at that time.

Capitalized above-market ground lease values are amortized as a reduction of property operating expense over the remaining terms of the respective leases. Capitalized below-market ground lease values are amortized as an increase to property operating expense over the remaining terms of the respective leases and expected below-market renewal option periods.

Derivative Instruments

The Company may use derivative financial instruments to hedge all or a portion of the interest rate risk associated with its borrowings. Certain of the techniques used to hedge exposure to interest rate fluctuations may also be used to protect against declines in the market value of assets that result from general trends in debt markets. The principal objective of such agreements is to minimize the risks and costs associated with the Company's operating and financial structure as well as to hedge specific anticipated transactions.

The Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply, or the Company elects not to apply hedge accounting.

The accounting for subsequent changes in the fair value of these derivatives depends on whether each has been designated and qualifies for hedge accounting treatment. If the Company elects not to apply hedge accounting treatment, any change in the fair value of these derivative instruments is recognized immediately in gains (losses) on derivative instruments in the accompanying consolidated statements of operations and comprehensive loss prior to the adoption of ASU 2017-2 on January 1, 2019. If the derivative is designated and qualifies for hedge accounting treatment, the change in the estimated fair value of the derivative is recorded in other comprehensive income (loss) to the extent that it is effective, with any ineffective portion of a derivative's change in fair value immediately recognized in earnings. After the adoption of ASU 2017-2, if the derivative qualifies for hedge accounting, all of the change in value is recorded in other comprehensive income (loss).

Non-controlling Interests

The non-controlling interests represent the portion of the common and preferred equity in the OP that is not owned by the Company as well as certain investment arrangements with other unaffiliated third parties whereby such investors receive an ownership interest in certain of the Company's property-owning subsidiaries and are entitled to receive a proportionate share of the net operating cash flow derived from the subsidiaries' property. Non-controlling interests are presented as a separate component of equity on the consolidated balance sheets and presented as net loss attributable to non-controlling interests on the consolidated statements of operations and comprehensive loss. Non-controlling interests are allocated a share of net income or loss based on their share of equity ownership, including any preferential amounts. See *Note 13 — Non-Controlling Interests* for additional information.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in bank accounts as well as investments in highly-liquid money market funds with original maturities of three months or less. The Company did not have any cash invested in money market funds at December 31, 2022 or 2021.

The Company deposits cash with high quality financial institutions. These deposits are guaranteed by the Federal Deposit Insurance Company ("FDIC") up to an insurance limit. At December 31, 2022 and 2021, the Company had deposits of $53.7 million and $59.7 million, of which $43.6 million and $46.2 million, respectively, were in excess of the amount insured by the FDIC. Although the Company bears risk to amounts in excess of those insured by the FDIC, it does not anticipate any losses as a result.

Deferred Costs

Deferred costs, net, consists of deferred financing costs related to the Credit Facility (as defined in *Note 5 — Credit Facilities)* Fannie Mae Master Credit Facilities (as defined in *Note 5 — Credit Facilities)*, and deferred leasing costs. Deferred financing costs relating to mortgage notes payable (see *Note 4 — Mortgage Notes Payable, Net*) are reflected net of the related financing in the mortgage notes payable, net line item of the Company's consolidated balance sheet.

Deferred financing costs associated with the Credit Facility and Fannie Mae Master Credit Facilities and mortgage notes payable represent commitment fees, legal fees, and other costs associated with obtaining commitments for financing. These costs are amortized over the term of the financing agreement using the effective interest method for the Credit Facility and Fannie Mae Master Credit Facilities and using the effective interest method over the expected term for the mortgage notes payable.

Unamortized deferred financing costs are expensed if the associated debt is refinanced or paid down before maturity. Costs incurred in seeking financial transactions that do not close are expensed in the period in which it is determined that the financing will not close.

Deferred leasing costs, consisting primarily of lease commissions and professional fees incurred in connection with new leases, are deferred and amortized over the term of the lease.

Equity-Based Compensation

The Company has a stock-based incentive award program for its directors, which is accounted for under the guidance of share- based payments. The cost of services received in exchange for these stock awards is measured at the grant date fair value of the award and the expense for such awards is included in general and administrative expenses and is recognized over the service period (i.e., vesting) required or when the requirements for exercise of the award have been met (see *Note 11* — *Equity-Based Compensation*).

Income Taxes

The Company elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986 (the "Code"), as amended, commencing with the taxable year ended December 31, 2013. If the Company continues to qualify for taxation as a REIT, it generally will not be subject to U.S. federal corporate income tax to the extent it distributes all of its REIT taxable income (which does not equal net income as calculated in accordance with GAAP) to its stockholders. REITs are subject to a number of organizational and operational requirements, including a requirement that the Company distribute annually at least 90% of the Company's REIT taxable income to the Company's stockholders.

If the Company fails to continue to qualify as a REIT in any taxable year and does not qualify for certain statutory relief provisions, the Company will be subject to U.S. federal, state and local income taxes at regular corporate rates beginning with the year in which it fails to qualify and may be precluded from being able to elect to be treated as a REIT for the Company's four subsequent taxable years. The Company distributed to its stockholders 100% of its REIT taxable income for each of the years ended December 31, 2022, 2021 and 2020. Accordingly, no provision for U.S. federal or state income taxes related to such REIT taxable income was recorded in the Company's financial statements. Even if the Company continues to qualify as a REIT, it may be subject to certain state and local taxes on its income and property, and U.S. federal income and excise taxes on its undistributed income.

Certain limitations are imposed on REITs with respect to the ownership and operation of seniors housing properties. Generally, to qualify as a REIT, the Company cannot directly or indirectly operate seniors housing properties. Instead, such facilities may be either leased to a third-party operator or leased to a TRS and operated by a third party on behalf of the TRS. Accordingly, the Company has formed a TRS that is wholly-owned by the OP to lease its SHOPs and the TRS has entered into management contracts with unaffiliated third-party operators to operate the facilities on its behalf.

As of December 31, 2022, the Company owned 52 seniors housing properties (including two land parcels) which are leased and operated through its TRS. The TRS is a wholly-owned subsidiary of the OP. A TRS is subject to U.S. federal, state and local income taxes. The Company records net deferred tax assets to the extent the Company believes these assets will more likely than not be realized. In making such determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies (including modifying intercompany leases with the TRS) and recent financial operations. In the event the Company determines that it would not be able to realize the deferred income tax assets in the future in excess of the net recorded amount, the Company establishes a valuation allowance which offsets the previously recognized income tax asset. Deferred income taxes result from temporary differences between the carrying amounts of the TRS's assets and liabilities used for financial reporting purposes and the amounts used for income tax purposes as well as net operating loss carryforwards. Significant components of the deferred tax assets and liabilities as of December 31, 2022 consisted of deferred rent and net operating loss carryforwards. During the year ended December 31, 2020, the Company modified 25 intercompany leases with the TRS which abated intercompany rent due to the ongoing COVID-19 pandemic. These abatements were extended through December 31, 2022 and may continue to be extended for future periods.

Because of the Company's TRS's recent operating history of taxable losses and the impacts of the COVID-19 pandemic on the results of operations of the Company's SHOP assets, the Company is not able to conclude that it is more likely than not it will realize the future benefit of its deferred tax assets; thus the Company has provided a 100% valuation allowance of $6.9 million and $4.2 million as of December 31, 2022 and 2021, respectively. If and when the Company believes it is more likely than not that it will recover its deferred tax assets, the Company will reverse the valuation allowance as an income tax benefit in its consolidated statements of comprehensive income (loss). As of December 31, 2022, the Company's consolidated TRS had net operating loss carryforwards for federal income tax purposes of approximately $24.4 million at December 31, 2022 (of which $7.6 million were incurred prior to January 1, 2018). Carryforwards from losses incurred prior to January 1, 2018, if unused, these will begin to expire in 2035. For net operating losses incurred subsequent to December 31, 2017, there is no expiration date. As of December 31, 2022, the Company had a deferred tax asset of $6.9 million with a full valuation allowance. As of December 31, 2021, the Company had a deferred tax asset of $4.2 million with a full valuation allowance.

The following table details the composition of the Company's tax (expense) benefit for the years ended December 31, 2022, 2021 and 2020, which includes U.S. federal and state income taxes incurred by the Company's TRS. The Company estimated its income tax (expense) benefit relating to its TRS using a combined federal and state rate of approximately 0.0%, 0.0% and (105.8)% for the years ended December 31, 2022, 2021 and 2020, respectively. These income taxes are reflected in income tax (expense) benefit on the accompanying consolidated statements of operations and comprehensive loss.

	Year Ended December 31,					
	2022		2021		2020	
(In thousands)	Current	Deferred	Current	Deferred	Current	Deferred
Federal (expense) benefit	$ —	$ 2,145	$ —	$ (319)	$ 726	$ —
State (expense) benefit	(201)	604	(203)	(163)	(196)	50
Deferred tax asset valuation allowance	—	(2,749)	—	482	—	(4,641)
Total income tax benefit (expense)	$ (201)	$ —	$ (203)	$ —	$ 530	$ (4,591)

As of December 31, 2022 and 2021, the Company had no material uncertain income tax positions. The tax years subsequent to and including the fiscal year ended December 31, 2017 remain open to examination by the major taxing jurisdictions to which the Company is subject.

Per Share Data

Net income (loss) per basic share of common stock is calculated by dividing net income (loss) by the weighted-average number of shares (retroactively adjusted for the Stock Dividends) of common stock issued and outstanding during such period. Diluted net income (loss) per share of common stock considers the effect of potentially dilutive shares of common stock outstanding during the period.

CARES Act Grants

On March 27, 2020, the CARES Ac) was signed into law and it provides funding to Medicare providers in order to provide financial relief during the COVID-19 pandemic. Funds provided under the program were to be used for the preparation, prevention, and medical response to COVID-19, and were designated to reimburse providers for healthcare related expenses and lost revenues attributable to COVID-19. During the years ended December 31, 2022, 2021 and 2020 the Company received $4.5 million, $5.1 million and $3.6 million in funding from CARES Act grants, respectively. For accounting purposes, the CARES Act funds are treated as a grant contribution from the government. The funding the Company received was recognized as a reduction of property operating and maintenance expenses in the Company's consolidated statements of operations to offset the negative impacts of COVID-19. There can be no assurance that the program will be extended or any further amounts received under currently effective or potential future government programs.

Recently Issued Accounting Pronouncements

Adopted as of January 1, 2020:

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The objective of ASU 2018-13 is to improve the effectiveness of disclosures in the notes to the financial statements by removing, modifying, and adding certain fair value disclosure requirements to facilitate clear communication of the information required by generally accepted accounting principles. The amended guidance is effective for the Company beginning on January 1, 2020. The Company adopted the new guidance on January 1, 2020 and determined it did not have a material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which changes how entities measure credit losses for financial assets carried at amortized cost. The update eliminates the requirement that a credit loss must be probable before it can be recognized and instead requires an entity to recognize the current estimate of all expected credit losses. Additionally, the amended standard requires credit losses on available-for-sale debt securities to be carried as an allowance rather than as a direct write-down of the asset. On July 25, 2018, the FASB proposed an amendment to ASU 2016-13 to clarify that operating lease receivables recorded by lessors (including unbilled straight-line rent) are explicitly excluded from the scope of ASU 2016-13. The new guidance is effective for the Company beginning on January 1, 2020. The Company adopted the new guidance on January 1, 2020 and determined it did not have a material impact on its consolidated financial statements.

Adopted as of January 1, 2021:

In August 2020, the FASB issued ASU 2020-06, Debt - Debt with Conversion and Other Options (Topic 470) and Derivatives and Hedging – Contracts in Entity's Own Equity (Topic 815). The new standard reduces the number of accounting models for convertible debt instruments and convertible preferred stock, and amends the guidance for the derivatives scope exception for contracts in an entity's own equity. The standard also amends and makes targeted improvements to the related earnings per share guidance. The ASU is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The standard allows for either modified or full retrospective transition methods. The Company adopted the new guidance on January 1, 2021 and determined it did not have a material impact on its consolidated financial statements.

Adopted as of January 1, 2022:

In August 2020, the FASB issued ASU 2020-06, Debt - Debt with Conversion and Other Options (Topic 470) and Derivatives and Hedging – Contracts in Entity's Own Equity (Topic 815). The new standard reduces the number of accounting models for convertible debt instruments and convertible preferred stock, and amends the guidance for the derivatives scope exception for contracts in an entity's own equity. The standard also amends and makes targeted improvements to the related earnings per share guidance. The ASU is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption was permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The standard allows for either modified or full retrospective transition methods. The Company adopted the new guidance on January 1, 2022 and determined it did not have a material impact on its consolidated financial statements.

Not yet Fully Adopted as of December 31, 2022

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848). Topic 848 contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance in Topic 848 is optional and may be elected over the period from March 12, 2020 through June 30, 2023 as reference rate reform activities occur. During the year ended December 31, 2020, the Company elected to apply the hedge accounting expedients related to (i) the assertion that the Company's hedged forecasted transactions remain probable and (ii) the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of the Company's derivatives, which will be consistent with the Company's past presentation. The Company will continue to evaluate the impact of the guidance and may apply other elections, as applicable, as additional changes in the market occur.

Note 3 — Real Estate Investments, Net

Property Acquisitions

The Company invests in healthcare-related facilities, primarily MOBs and seniors housing properties which expand and diversify its portfolio and revenue base. The Company owned 202 properties as of December 31, 2022. During the year ended December 31, 2022, the Company, through wholly-owned subsidiaries of the OP, completed its acquisitions of one multi-tenant MOBs and three single tenant MOBs for an aggregate contract purchase price of $25.3 million. All acquisitions in 2022, 2021 and 2020 were considered asset acquisitions for accounting purposes.

The following table presents the allocation of the assets acquired and liabilities assumed during the years ended December 31, 2022, 2021 and 2020:

	Year Ended December 31,		
(In thousands)	2022	2021	2020
Real estate investments, at cost:			
Land	$ 4,933	$ 12,848	$ 7,665
Buildings, fixtures and improvements	16,606	121,376	90,699
Total tangible assets	21,539	134,224	98,364
Acquired intangibles:			
In-place leases and other intangible assets [(1)]	3,763	28,499	10,369
Market lease and other intangible assets [(1)]	268	794	496
Market lease liabilities [(1)]	(32)	(1,639)	(362)
Total intangible assets and liabilities	3,999	27,654	10,503
Mortgage notes payable assumed, net	—	—	(13,883)
Issuance of Preferred OP Units [(2)]	—	(2,578)	—
Cash paid for real estate investments, including acquisitions	$ 25,538	$ 159,300	$ 94,984
Number of properties purchased	4	17	9

(1) Weighted-average remaining amortization periods for in-place leases, above-market leases and below market leases acquired were 8.9 years, 9.3 years and 12.1 years, respectively, as of December 31, 2022. Weighted-average remaining amortization periods for in-place leases and above-market leases acquired were 11.2 years, 10.2 years and 8.5 years, respectively, as of December 31, 2021. Weighted-average remaining amortization periods for in-place leases, above-market leases and below market leases acquired were 1.7 years, 7.7 years and 7.4 years, respectively, as of December 31, 2020.

(2) See Note 8 — *Stockholders' Equity* for additional information.

Significant Tenants

As of December 31, 2022, 2021 and 2020, the Company did not have any tenants (including for this purpose, all affiliates of such tenants) whose annualized rental income on a straight-line basis represented 10% or greater of total annualized rental income on a straight-line basis for the portfolio. The following table lists the states where the Company had concentrations of properties where annualized rental income on a straight-line basis represented 10% or more of consolidated annualized rental income on a straight-line basis for all properties as of December 31, 2022, 2021 and 2020:

	December 31,		
State	2022	2021	2020
Florida [(1)]	19.2%	17.7%	20.6%
Pennsylvania	*	*	10.4%

* State's annualized rental income on a straight-line basis was not greater than 10% of total annualized rental income for all portfolio properties as of the period specified.

(1) In May 2021, the Company's skilled nursing facility in Wellington, Florida, and the Company's development property in Jupiter, Florida were sold. In December 2020, the Company's skilled nursing facility in Lutz, Florida was sold.

Intangible Assets and Liabilities

Acquired intangible assets and liabilities consisted of the following as of the periods presented:

	December 31, 2022			December 31, 2021		
(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets:						
In-place leases	$ 268,135	$ 198,138	$ 69,997	$ 264,741	$ 183,073	$ 81,668
Market lease assets	14,432	12,042	2,390	14,164	11,212	2,952
Other intangible assets	9,467	1,165	8,302	9,467	1,006	8,461
Total acquired intangible assets	$ 292,034	$ 211,345	$ 80,689	$ 288,372	$ 195,291	$ 93,081
Intangible liabilities:						
Market lease liabilities	$ 23,504	$ 14,097	$ 9,407	$ 23,472	$ 12,529	$ 10,943

The following table discloses amounts recognized within the consolidated statements of operations and comprehensive loss related to amortization of in-place leases and other intangible assets, amortization and accretion of above-and below-market lease assets and liabilities, net and the amortization of above-and below-market ground leases, for the periods presented:

	Year Ended December 31,		
(In thousands)	2022	2021	2020
Amortization of in-place leases and other intangible assets [(1)]	$ 15,076	$ 15,071	$ 15,121
Accretion of above-and below-market leases, net [(2)]	$ (795)	$ (422)	$ (257)
Amortization of above-and below-market ground leases, net [(3)]	$ 159	$ 214	$ 178

(1) Reflected within depreciation and amortization expense.

(2) Reflected within revenue from tenants.

(3) Reflected within property operating and maintenance expense.

The following table provides the projected amortization and adjustments to revenue from tenants for the next five years:

(In thousands)	2023	2024	2025	2026	2027
In-place lease assets	$ 13,208	$ 11,287	$ 9,700	$ 8,454	$ 4,958
Other intangible assets	10	10	10	10	10
Total to be added to amortization expense	$ 13,218	$ 11,297	$ 9,710	$ 8,464	$ 4,968
Above-market lease assets	$ (495)	$ (416)	$ (363)	$ (329)	$ (240)
Below-market lease liabilities	1,512	1,294	1,103	941	623
Total to be added to revenue from tenants	$ 1,017	$ 878	$ 740	$ 612	$ 383

Dispositions

The following table summarizes the properties sold during the years ended December 31, 2022, 2021 and 2020:

(In thousands)	Disposition Date	Contract Sale Price		Gain (Loss) on Sale, of Real Estate Investments	
2022 Dispositions:					
LaSalle properties (four properties) [1]	March 2, 2022	$	12,400	$	(303)
Lien settlement on formerly disposed properties	N/A		N/A		178
Totals		$	12,400	$	(125)
2021 Dispositions:					
Hampton River Portfolio (two properties)	December 21, 2021	$	37,800	$	1,323
NuVista Jupiter [2]	May 14, 2021		65,000		2,383
Wellington Green [3]	May 14, 2021		30,750		114
Michigan SHOPs (four properties) [4]	January 15, 2021		—		(172)
Totals		$	133,550	$	3,648
2020 Dispositions:					
Lutz [5]	December 15, 2020	$	20,000	$	3,832
Michigan SHOPs (seven properties) [4]	November 2, 2020		11,750		(908)
Cape Girardeau	March 19, 2020		8,600		2,306
Totals		$	40,350	$	5,230

(1) Impairment charges of $34.0 million were recorded during the year ended December 31, 2021.

(2) Impairment charges of $14.6 million and $19.8 million were recorded during the years ended December 31, 2020 and 2019, respectively.

(3) Impairment charges of $0.9 million, $2.3 million and $9.9 million were recorded during the years ended December 31, 2021, 2020 and 2019, respectively.

(4) Impairment charges of $19.6 million and $22.6 million were recorded during the years ended December 31, 2020 and 2019, respectively. The contract sales price for all 11 properties was received in November of 2020. Loss on sale amounts relate to the properties transferred at the respective dates.

(5) Impairment charges of $3.6 million were recorded during the year ended December 31, 2019.

The sales of the properties noted above did not represent a strategic shift that has a major effect on the Company's operations and financial results. Accordingly, the results of operations of these properties remain classified within continuing operations for all periods presented until the respective sale dates.

Assets Held for Sale

When assets are identified by management as held for sale, the Company reflects them separately on its balance sheet and stops recognizing depreciation and amortization expense on the identified assets and estimates the sales price, net of costs to sell, of those assets. If the carrying amount of the assets classified as held for sale exceeds the estimated net sales price, the Company records an impairment charge equal to the amount by which the carrying amount of the assets exceeds the Company's estimate of the net sales price of the assets. For held-for-sale properties, the Company predominately uses the contract sale price as fair market value.

There were no assets held for sale as of December 31, 2022 or December 31, 2021.

Assets Held for Use

When circumstances indicate the carrying value of a property classified as held for use may not be recoverable, the Company reviews the property for impairment. For the Company, the most common triggering events are (i) concerns regarding the tenant (i.e., credit or expirations) in the Company's single-tenant properties or significant vacancy in the Company's multi-tenant properties and (ii) changes to the Company's expected holding period as a result of business decisions or non-recourse debt maturities. If a triggering event is identified, the Company considers the projected cash flows due to various performance indicators, and where appropriate, the Company evaluates the impact on its ability to recover the carrying value of the properties based on the expected cash flows on an undiscounted basis over its intended holding period. The Company makes certain assumptions in this approach including, among others, the market and economic conditions, expected cash flow projections, intended holding periods and assessments of terminal values. Where more than one possible scenario exists, the Company uses a probability weighted approach in estimating cash flows. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the future cash flows estimated by management in its impairment analysis may not be achieved, and actual losses for impairment may be realized in the future. If the undiscounted cash flows over the expected hold period are less than the carrying value, the Company reflects an impairment charge to write the asset down to its fair value.

Impairment Charges

The following table presents impairment charges by segment recorded during the years ended December 31, 2022, 2021 and 2020:

	Year Ended December 31,		
(In thousands)	2022	2021	2020
MOB Segment:			
Illinois skilled nursing facilities [1] [7]	$ 10,644	$ —	$ —
Sassafras MOB [2] [7]	1,844	—	—
Sun City MOB [3] [7]	—	6,082	—
Total MOB impairment charges	12,488	6,082	—
SHOP Segment:			
Various held for use SHOPs [4] [7]	15,142	—	—
LaSalle Properties [5] [7]	—	34,000	—
Wellington, Florida skilled nursing facility [6] [7]	—	869	2,276
Michigan properties [8]	—	—	19,570
NuVista Jupiter [7] [9]	—	—	14,600
Total SHOP impairment charges	15,142	34,869	36,446
Total impairment charges	$ 27,630	$ 40,951	$ 36,446

(1) These seven properties were impaired after the Company received an offer by the tenant to purchase all seven properties, which caused the Company to reassess its expected holding period for these properties. As of December 31, 2022, these properties were not disposed nor are under contract for disposal.

(2) The Company began marketing this property for sale in the fourth quarter of 2022. As of December 31, 2022 this property was not disposed nor under contract for disposal.

(3) This property has been actively marketed for sale since September 2021. As of December 31, 2022 this property was not disposed nor under contract for disposal.

(4) Consists of eight properties actively marketed for sale. Of the eight properties, six properties were impaired in year ended December 31, 2022. As of December 31, 2022, these properties were not disposed, but five of these properties are under contract for disposal.

(5) These four properties were disposed in the year ended December 31, 2022.

(6) This property was disposed in the year ended December 31, 2021. The Company recorded this impairment charge in the year ended December 31, 2021 to reduce the carrying value of the property to its estimated fair value as determined by an amendment to its purchase and sale agreement. The Company had previously recorded $2.3 million of impairment charges on this property in the year ended December 31, 2020.

(7) These properties were impaired to reduce their carrying values to their estimated fair values, respectively, as determined by the *Assets Held for Use* approach described above.

(8) These properties were disposed in the first quarter of 2021 and the fourth quarter of 2020.

(9) This property was disposed in the second quarter of 2021.

Note 4 — Mortgage Notes Payable, Net

The following table reflects the Company's mortgage notes payable as of December 31, 2022 and 2021:

Portfolio	Encumbered Properties	Outstanding Loan Amount as of December 31, 2022	Outstanding Loan Amount as of December 31, 2021	Effective Interest Rate [1] as of December 31, 2022	Effective Interest Rate [1] as of December 31, 2021	Interest Rate		Maturity
		(In thousands)	(In thousands)					
Palm Valley Medical Plaza - Goodyear, AZ	—	$ —	$ 2,879	— %	4.15%	Fixed		Jun. 2023
Medical Center V - Peoria, AZ	—	—	2,684	— %	4.75%	Fixed		Sep. 2023
Fox Ridge Bryant - Bryant, AR	1	6,817	6,977	3.98 %	3.98%	Fixed		May 2047
Fox Ridge Chenal - Little Rock, AR	1	15,639	16,024	2.95 %	2.95%	Fixed		May 2049
Fox Ridge North Little Rock - North Little Rock, AR	1	9,704	9,943	2.95 %	2.95%	Fixed		May 2049
Capital One MOB Loan	41	378,500	378,500	3.73 %	3.71%	Fixed	(2)	Dec. 2026
Multi-Property CMBS Loan	21	118,700	118,700	4.60 %	4.60%	Fixed		May 2028
Shiloh - Illinois	1	13,071	13,384	4.34 %	4.34%	Fixed		Jan. 2025
BMO CMBS	9	42,750	42,750	2.89 %	2.89%	Fixed		Dec. 2031
Gross mortgage notes payable	75	585,181	591,841	3.83 %	3.82%			
Deferred financing costs, net of accumulated amortization [3]		(5,117)	(6,186)					
Mortgage premiums and discounts, net		(1,364)	(1,416)					
Mortgage notes payable, net		$ 578,700	$ 584,239					

(1) Calculated on a weighted average basis for all mortgages outstanding as of December 31, 2022 and December 31, 2021. For the SOFR/LIBOR based loans, SOFR/LIBOR in effect at the balance sheet date was utilized. For the Capital One MOB Loan, the effective rate does not include the effect of amortizing the amount paid to terminate the previous pay-fixed swap. See Note 7 — *Derivatives and Hedging Activities* for additional details.

(2) Variable rate loan, based on daily SOFR as of December 31, 2022 and based on 30-day LIBOR as of December 31, 2021, which is fixed as a result of entering into "pay-fixed" interest rate swap agreements. The Company allocated $378.5 million of its "pay-fixed" interest rate swaps to this mortgage consistently as of December 31, 2022 and 2021.

(3) Deferred financing costs represent commitment fees, legal fees and other costs associated with obtaining financing. These costs are amortized to interest expense over the terms of the respective financing agreements using the effective interest method. Unamortized deferred financing costs are generally expensed when the associated debt is refinanced or repaid before maturity. Costs incurred in seeking financial transactions that do not close are expensed in the period in which it is determined that the financing will not close.

As of December 31, 2022, the Company had pledged $0.9 billion in real estate investments, at cost, as collateral for its $585.2 million of gross mortgage notes payable. This real estate is not available to satisfy other debts and obligations unless first satisfying the mortgage notes payable secured by these properties. The Company makes payments of principal and interest, or interest only, depending upon the specific requirements of each mortgage note, on a monthly basis.

Some of the Company's mortgage note agreements require compliance with certain property-level financial covenants including debt service coverage ratios. As of December 31, 2022, the Company was in compliance with these financial covenants.

See Note 5 — *Credit Facilities - Future Principal Payments and LIBOR Transition* for a schedule of principal payment requirements of the Company's Mortgage Notes and Credit Facilities and a discussion of the expected cessation of LIBOR publication.

BMO MOB Loan

On November 15, 2021, the Company, entered into a $42.8 million loan agreement (the "BMO MOB Loan") with Bank of Montreal ("BMO").

The BMO MOB Loan requires monthly interest-only payments, with the principal balance due on the maturity date. The BMO MOB Loan permits BMO to securitize the entire BMO MOB Loan or any portion thereof.

At the closing of the BMO MOB Loan, the net proceeds after accrued interest and closing costs were used to (i) repay approximately $37.0 million of indebtedness under the Revolving Credit Facility, under which nine of the properties were included as part of the borrowing base prior to the BMO MOB Loan, (ii) fund approximately $2.5 million in deposits required to be made at closing into reserve accounts required under the loan agreement. The remaining $2.4 million net proceeds available to the Company were used for general corporate purposes and acquisitions.

Note 5 — Credit Facilities, Net

The Company had the following credit facilities outstanding as of December 31, 2022 and 2021:

Credit Facility	Encumbered Properties (1)	Outstanding Facility Amount as of December 31, 2022	Outstanding Facility Amount as of December 31, 2021	Effective Interest Rate as of December 31, (9) (10) 2022	Effective Interest Rate as of December 31, (9) (10) 2021	Interest Rate	Maturity
		(In thousands)	(In thousands)				
Credit Facility:							
Revolving Credit Facility		$ 30,000	$ —	7.26 %	— %	Variable	Mar. 2024 (8)
Term Loan		150,000	150,000	5.11 %	4.11 %	Fixed (6)	Mar. 2024
Deferred financing costs		(1,750)	(2,994)				
Term Loan, net		148,250	147,006				
Total Credit Facility	98 (2)	$ 178,250	$ 147,006				
Fannie Mae Master Credit Facilities:							
Capital One Facility	11 (3)	$ 210,483	$ 212,417	5.90 %	2.51 %	Variable (7)	Nov. 2026
KeyBank Facility	10 (4)	141,564	142,628	6.60 %	2.56 %	Variable (7)	Nov. 2026
Total Fannie Mae Master Credit Facilities	**21**	**$ 352,047**	**$ 355,045**				
Total Credit Facilities	**119**	**$ 530,297**	**$ 502,051**	**5.94 %** (5)	**3.00 %** (5)		

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(1) Encumbered properties are as of December 31, 2022.

(2) The equity interests and related rights in the Company's wholly owned subsidiaries that directly own or lease the eligible unencumbered real estate assets comprising the borrowing base of the Credit Facility (as defined below) have been pledged for the benefit of the lenders thereunder.

(3) Secured by first-priority mortgages on 11 of the Company's seniors housing properties located in Florida, Georgia, Iowa and Michigan as of December 31, 2022 with a carrying value of $348.9 million.

(4) Secured by first-priority mortgages on ten of the Company's seniors housing properties located in, Missouri, Kansas, California, Florida, Georgia and Iowa as of December 31, 2022 with carrying value of $261.0 million.

(5) Calculated on a weighted average basis for all credit facilities outstanding as of December 31, 2022 and 2021, respectively.

(6) Variable rate loan, based on SOFR, all of which was economically fixed as a result of entering into "pay-fixed" interest rate swap agreements (the Company designates its SOFR "pay-fixed" interest rate swaps against all 30-day SOFR debt, see Note 7 — *Derivatives and Hedging Activities* for additional details).

(7) The effective rates above only include the impact of designated hedging instruments. The Company also has seven non-designated interest rate cap agreements with an aggregate notional amount of $354.6 million which limits 30-day LIBOR to 3.50%. The Company did not designate these derivatives as hedges and accordingly, the changes in value and any cash received from these derivatives are presented within gain (loss) on derivative instruments on the consolidated statements of operations and comprehensive income (see discussion below and Note 7 — *Derivatives and Hedging Activities* for additional details). Inclusive of the impact of these interest rate caps on these non-designated derivatives, the economic interest rate on the Capital One Fannie Mae Facility was 5.26%, and the economic interest rate on the KeyBank Fannie Mae Facility was 5.96% as of December 31, 2022.

(8) During the year ended December 31, 2022, the Company exercised its option to extend the maturity one year to March 2024.

(9) Effective interest rate below for variable rate debt gives effect to any "pay-fixed" swap entered into by the Company allocated to the loan for presentation purposes. If no "pay-fixed" swaps are allocated, the effective interest rate below represents the variable rate (or contractual floor if appropriate) and the applicable margin in effect as of December 31, 2022 and 2021. Interest rate caps are not considered unless the caps, if any, are currently in effect.

(10) The Company has interest "pay-fixed" swaps which are designated as cash flow hedges on LIBOR- or SOFR-based outstanding combined borrowings. Prior to the Fourth Amendment (as defined below) which, among other things, changed the reference rate on the Credit Facility from LIBOR to SOFR, to present average rates in the table above, the Company historically allocated the notional amount of a "pay-fixed" swap to the outstanding amounts of its Credit Facility (both the Revolving Credit Facility and the Term Loan) with any remaining notional amounts applied to its Capital One Fannie Mae Facility. During the three months ended September 30, 2022, the Company converted $150.0 million of its "pay-fixed" swaps from LIBOR to SOFR. As of December 31, 2022, the Company allocated the $150.0 million SOFR-based "pay-fixed" swaps to the Term Loan, which were also allocated to the

Term Loan as of December 31, 2021 when the Term Loan and swaps were LIBOR-based. As of December 31, 2022 and 2021, $50.0 million of LIBOR-based "pay-fixed" swaps were allocated to the Capital One Fannie Mae Facility because there were no LIBOR-based amounts outstanding under the Revolving Credit Facility in either period. The $50.0 million of LIBOR-based "pay-fixed" swaps were terminated subsequent to December 31, 2022. See *Note 17 — Subsequent Events* for additional information.

As of December 31, 2022, the carrying value of our real estate investments, at cost was $2.6 billion, with $0.9 billion of this amount pledged as collateral for mortgage notes payable, $0.6 billion of this amount pledged to secure advances under the Fannie Mae Master Credit Facilities and $0.9 billion of this amount comprising the borrowing base of the Credit Facility. All of the real estate assets pledged to secure debt or comprising the borrowing base of are not available to satisfy other debts and obligations, or to serve as collateral with respect to new indebtedness, unless, as applicable, the existing indebtedness associated with the property is satisfied or the property is removed from the borrowing base of the Credit Facility, which would impact availability thereunder.

Unencumbered real estate investments, at cost as of December 31, 2022 was $0.1 billion, although there can be no assurance as to the amount of liquidity the Company would be able to generate from using these unencumbered assets as collateral for mortgage loans or adding them to the borrowing base of the Company's Credit Facility. Currently, any properties that the Company acquires must be added to the borrowing base of the Credit Facility, and any net proceeds from the dispositions of any unencumbered properties must be used to repay amounts outstanding under the Revolving Credit Facility (as defined below).

Credit Facility

The amended and restated senior secured credit facility (the "Credit Facility"), consists of two components, a revolving credit facility (the "Revolving Credit Facility") and a term loan (the "Term Loan").

The Revolving Credit Facility is interest-only and matures on March 13, 2023, subject to a one-year extension at the Company's option. The Term Loan is interest-only and matures on March 13, 2024. The total commitments under the Credit Facility are $655.0 million, including $505.0 million under the Revolving Credit Facility. The Credit Facility includes an uncommitted "accordion feature" that may be used to increase the commitments under either component of the Credit Facility by up to an additional $370.0 million to a total of $1.0 billion.

The amount available for future borrowings under the Revolving Credit Facility is based on either the value of the pool of eligible unencumbered real estate assets comprising the borrowing base, or satisfying a minimum debt service coverage ratio with respect to the borrowing base. The equity interests and related rights in the Company's wholly owned subsidiaries that directly own or lease the eligible unencumbered real estate assets comprising the borrowing base of the Revolving Credit Facility have been pledged for the benefit of the lenders thereunder.

As of December 31, 2022, $150.0 million was outstanding under the Term Loan, and $30.0 million was outstanding under the Revolving Credit Facility. The unused borrowing availability under the Revolving Credit Facility was $203.4 million based on the borrowing base as of December 31, 2022.

On August 11, 2022, the Company, the OP, KeyBank National Association individually and as agent for the lenders and the lenders from time to time a party under the Credit Facility, among others, entered into the fourth amendment to the Credit Facility (the "Fourth Amendment"). Without the Fourth Amendment, the Company would have been in default of the reamendment Fixed Charge Coverage Ratio covenant (defined below) for the four fiscal quarter period ended June 30, 2022. Pursuant to the Fourth Amendment, the lenders agreed to reduce the minimum required Fixed Charge Coverage Ratio covenant to permit the Company to avoid any Default or Events of Default through the amendment date. The Fourth Amendment also eliminated the LIBOR-based rate option, among other changes. The terms described below represent the terms pursuant to the Fourth Amendment.

The Company is required to maintain a combination of cash, cash equivalents and availability for future borrowings under the Revolving Credit Facility totaling at least $50.0 million. Certain other restrictions and conditions described below will no longer apply beginning in the quarter in which the Company makes an election and, as of the day prior to the commencement of the applicable quarter, the Company has a combination of cash, cash equivalents and availability for future borrowings under the Revolving Credit Facility totaling at least $100.0 million, giving effect to the aggregate amount of distributions projected to be paid by the Company during the applicable quarter, the Company's ratio of consolidated total indebtedness to consolidated total asset value (expressed as a percentage) is less than 62.5% and the Company's Fixed Charge Coverage Ratio (as defined below) for the most recently ended four fiscal quarters is not less than 1.50 to 1.00 (the "Commencement Quarter"). The fiscal quarter ended June 30, 2021 was the first quarter that could have been the Commencement Quarter. The Company did not satisfy the conditions during the quarter ended December 31, 2022 in order to elect the quarter ending March 31, 2023 as the Commencement Quarter.

Until the first day of the Commencement Quarter, the Company must use all the net cash proceeds from any capital event (such as an asset sale, financing or equity issuance) to prepay amounts outstanding under the Revolving Credit Facility, to the extent there are any such amounts outstanding. The Company may borrow additional amounts if all relevant conditions are met, including sufficient availability for future borrowings. There can be no assurance these conditions will be met at the time of any particular borrowing.

Until the Commencement Quarter, the Company may not pay distributions to holders of common stock in cash or any other cash distributions (including repurchases of shares of the Company's common stock), subject to certain exceptions. These exceptions include paying dividends on the 7.375% Series A Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value per share ("Series A Preferred Stock"), the 7.125% Series B Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value per share ("Series B Preferred Stock") or any other class of preferred stock that the Company may issue and paying any cash distributions necessary to maintain its status as a REIT. The Company may not pay any cash distributions (including dividends on Series A Preferred Stock or Series B Preferred Stock or any other preferred stock) if a default or event of default exists or would result therefrom. Beginning in the Commencement Quarter, the Company will be able to pay cash distributions to holders of common stock, subject to the restrictions described below and the aggregate distributions (as defined in the Credit Facility and including dividends on Series A Preferred Stock, Series B Preferred Stock or any other class of preferred stock that may be issued) for any period of four fiscal quarters may not exceed 95% of Modified FFO (as defined in the Credit Facility) for the same period based only on fiscal quarters after the Commencement Quarter. In addition, beginning in the Commencement Quarter, the Company will be permitted to repurchase up to $50.0 million of shares of its common stock (including amounts previously repurchased during the term of the Revolving Credit Facility) if, after giving effect to the repurchases, the Company maintains cash and cash equivalents of at least $30.0 million and the Company's ratio of consolidated total indebtedness to consolidated total asset value (expressed as a percentage) is less than 55.0%.

Under the Credit Facility, the Company must comply with covenants governing the maximum ratio of consolidated total indebtedness to consolidated total asset value, and requiring the Company to maintain a minimum ratio of adjusted consolidated EBITDA to consolidated fixed charges, a minimum consolidated tangible net worth and a minimum debt service coverage ratio. Specifically, the maximum ratio of consolidated total indebtedness to consolidated total asset value is presently 65% unless and until the Commencement Quarter, following which the ratio will be 62.5%. The minimum ratio of adjusted consolidated EBITDA to consolidated fixed charges (the "Fixed Charge Coverage Ratio") that the Company must satisfy based on the four most recently ended fiscal quarters is (a) 1.20 to 1.00 for the period commencing with the quarter ended June 30, 2022 through the quarter ending June 30, 2023, (b) 1.35 to 1.00 for the period commencing with the quarter ending September 30, 2023 through the quarter ending December 31, 2023 and (c) 1.45 to 1.00 for the period commencing with the quarter ending March 31, 2024 and continuing thereafter; provided, however, that from and after the Commencement Quarter, the Company must satisfy a minimum Fixed Charge Coverage Ratio of 1.50 to 1.00. The minimum consolidated tangible net worth is the sum of (i) $1.2 billion, plus (ii) 75% of any net offering proceeds (as defined in the Credit Facility) since the Credit Facility closed in March 2019. As of December 31, 2022, the Company had a consolidated tangible net worth of $1.5 billion. The minimum debt service coverage ratio (calculated similar to the calculation of the Fixed Charge Coverage Ratio but excluding dividends on Series A Preferred Stock, Series B Preferred Stock or any other class of preferred stock that may be issued) that the Company must satisfy based on the four most recently ended fiscal quarters is (a) 1.50:1.00 for the period commencing with the quarter ended June 30, 2022 through the quarter ending June 30, 2023, (b) 1.65:1.00 for the period commencing with the quarter ending September 30, 2023 through the quarter ending December 31, 2023 and (c) 1.75:1.00 for the period commencing with the quarter ending March 31, 2024 and continuing thereafter until the Company elects the Commencement Quarter, after which the debt service coverage ratio covenant will no longer apply. Additionally, the borrowing base advance rate is 52.5% until the Company elects the Commencement Quarter, after which the borrowing base advance rate will be 55%.

In addition, as of December 31, 2022, the Company had the option to have amounts outstanding under the Revolving Credit Facility bear interest at an annual rate equal to either: (i) SOFR (as defined below), plus an applicable margin that ranges, depending on the Company's leverage, from 2.10% to 2.85%; or (ii) the Base Rate (as defined in the Credit Facility), plus an applicable margin that ranges, depending on the Company's leverage, from 0.85% to 1.60%. Commencing on the first day of the Commencement Quarter, the Company will have the option to have amounts outstanding under the Revolving Credit Facility bear interest at an annual rate equal to either: (a) LIBOR, plus an applicable margin that ranges, depending on the Company's leverage, from 1.60% to 2.35%, plus an additional spread adjustment depending on the length of the interest period; or (b) the Base Rate, plus an applicable margin that ranges, depending on the Company's leverage, from 0.35% to 1.10%. As of December 31, 2022 the Company had elected to use the SOFR option for all of its borrowings under the Revolving Credit Facility, to the extent there are any such amounts outstanding.

Further, as of December 31, 2022, the Company has the option to have amounts outstanding under the Term Loan bear interest at an annual rate equal to either: (i) SOFR, plus an applicable margin that ranges, depending on the Company's leverage, from 2.05% to 2.80%; or (ii) the Base Rate, plus an applicable margin that ranges, depending on the Company's leverage, from 0.80% to 1.55%. Commencing on the first day of the Commencement Quarter, the Company will have the option to have amounts outstanding under the Term Loan bear interest at an annual rate equal to either: (a) SOFR, plus an applicable margin that ranges, depending on the Company's leverage, from 1.55% to 2.30%, plus an additional spread adjustment depending on the length of the interest period; or (b) the Base Rate, plus an applicable margin that ranges, depending on the Company's leverage, from 0.30% to 1.05%. Pursuant to the terms of the Company's Credit Facility, the "floor" on SOFR-based rates is 0.25%. As of December 31, 2022, the Company had elected to use the SOFR option for all of its borrowings under the Term Loan.

As of December 31, 2022, the Company was in compliance with the financial covenants under the Credit Facility.

As discussed in Note 2 — *Summary of Significant Accounting Policies*, the Company has experienced, and continues to experience, negative impacts from rising operating costs, particularly in its SHOP segment, as well as rising variable interest rates. The Company's Credit Facility matures in March 2024 and contains various operating covenants (described above) which the Company was in compliance with through December 31, 2022. Prospectively, based upon the Company's current expectations, the Company believes its operating results through June 30, 2023 will allow it to comply with these covenants. However, the Company believes its operating results may not be sufficient to comply with the increased Fixed Charge Coverage Ratio, which increases from 1.20:1.00 to 1.35:1.00 commencing with the quarter ending September 30, 2023 and thereafter. Absent a waiver or modification from the lender group, failure to comply with the Fixed Charge Coverage Ratio would constitute an Event of Default and the balance of the Credit Facility would be due and payable. The Company has obtained such waivers and modifications from the lender group in the past, but there can be no assurance that such a waiver or modification will be granted in future periods. Additionally, the Company is exploring long-term secured financing opportunities, utilizing some or all of the Company's properties as collateral, the proceeds from which the Company believes will be sufficient to repay all amounts outstanding under the Credit Facility, which was $180.0 million as of December 31, 2022 ($200.0 million including the $20.0 million drawn subsequent to December 31, 2022, see Note 17 — *Subsequent Events* for details).

Fannie Mae Master Credit Facilities

On October 31, 2016, the Company, through wholly-owned subsidiaries of the OP, entered into a master credit facility agreement relating to a secured credit facility with KeyBank (the "KeyBank Facility") and a master credit facility agreement with Capital One for a secured credit facility with Capital One Multifamily Finance LLC, an affiliate of Capital One (the "Capital One Facility"; the Capital One Facility and the KeyBank Facility are referred to herein individually as "Fannie Mae Master Credit Facility" and together as the "Fannie Mae Master Credit Facilities"). Advances made under these agreements are assigned by Capital One and KeyBank to Fannie Mae at closing for inclusion in Fannie Mae's Multifamily MBS program.

In connection with the Fannie Mae Master Credit Facilities, the Company was required to enter into interest rate cap agreements. Periodically, the Company renews these interest rate cap agreements upon their expiration. As of December 31, 2022, the Company had seven interest rate cap agreements (of which six caps were active as of December 31, 2022 and one has a forward start date as of April 2023) with an aggregate current effective notional amount of $354.6 million which caps LIBOR at 3.50% with terms through April 2024. The Company does not apply hedge accounting to these agreements and changes in value as well as any cash received are presented within gain (loss) on non-designated derivatives in the Company's consolidated statements of operations and comprehensive income (*see* Note 7 — *Derivatives and Hedging Activities* for additional disclosure regarding the Company's derivatives).

In November 2020, in conjunction with the sale and transfer of four of the Michigan SHOPs, one of which was encumbered under the Fannie Mae Master Credit Facility with Capital One, $4.2 million was repaid to Capitol One upon the release of the property.

The Company may request future advances under the Fannie Mae Master Credit Facilities by adding eligible properties to the collateral pool, subject to customary conditions, including satisfaction of minimum debt service coverage and maximum loan-to-value tests.

Future Principal Payments

The following table summarizes the scheduled aggregate principal payments for the five years subsequent to December 31, 2022 and thereafter, on all of the Company's outstanding debt (mortgage notes payable and credit facilities):

	Future Principal Payments		
(In thousands)	Mortgage Notes Payable	Credit Facilities	Total
2023	$ 1,139	$ 5,769	$ 6,908
2024	1,178	185,769	186,947
2025	13,270	5,769	19,039
2026	379,393	334,740	714,133
2027	922	—	922
Thereafter	189,279	—	189,279
Total	$ 585,181	$ 532,047	$ 1,117,228

LIBOR Transition

In July 2017, the Financial Conduct Authority (which regulates LIBOR) announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. As a result, the Federal Reserve Board and the Federal Reserve Bank of New York organized the Alternative Reference Rates Committee, which identified the Secured Overnight Financing Rate ("SOFR") as its preferred alternative to LIBOR in derivatives and other financial contracts. On March 5, 2021, the Financial Conduct Authority confirmed a partial extension of this deadline announcing that it will cease the publication of the one-week and two-month USD LIBOR settings immediately following December 31, 2021. The remaining USD LIBOR settings will continue to be published through June 30, 2023. The Company is not able to predict when there will be sufficient liquidity in the SOFR market. The Company is monitoring and evaluating the risks related to changes in LIBOR availability, which include potential changes in interest paid on debt and amounts received and paid on interest rate swaps. In addition, the value of debt or derivative instruments tied to LIBOR will also be impacted as LIBOR is limited and discontinued and contracts must be transitioned to a new alternative rate. While the Company currently expects LIBOR to be available in substantially its current form until at least through June 30, 2023 for the USD LIBOR rates currently relevant to the Company, it is possible that LIBOR will become unavailable prior to that time. This could occur, for example, if a sufficient number of banks decline to make submissions to the LIBOR administrator. Pursuant to the Fourth Amendment, the Credit Agreement was updated and provisions were added to transition the Credit Facility from using a benchmark rate of LIBOR to using a benchmark rate of SOFR, and the Company will either utilize the Base Rate (as defined in the Credit Facility) or the updated SOFR-based rates. During the year ended December 31, 2022, the Company converted $150.0 million of its "pay-fixed" swaps on its Credit Facility from LIBOR to SOFR, and the Company additionally converted its $378.5 million Capital One MOB Loan and related "pay-fixed" swap from LIBOR to SOFR, however, the Company still has mortgages, credit facilities (namely, the Capital One Facility and the KeyBank Facility) and derivative agreements that have terms that are based on LIBOR. Certain of those agreements have alternative rates already contained in the agreements while others do not. The Company anticipates that it will either utilize the alternative rates contained in the agreements or negotiate a replacement reference rate for LIBOR with the lenders and derivative counterparties.

As of December 31, 2022, the Company had $558.7 million of LIBOR-based borrowings ($352.0 million of which is variable-rate) and $50.0 million of LIBOR-based "pay-fixed" swaps. The Company terminated its remaining $50.0 million of "pay-fixed" swaps subsequent to December 31, 2022. See *Note 17 — Subsequent Events* for additional information.

Note 6 — Fair Value of Financial Instruments

GAAP establishes a hierarchy of valuation techniques based on the observability of inputs used in measuring asset and liabilities at fair value. GAAP establishes market-based or observable inputs as the preferred source of values, followed by valuation models using management assumptions in the absence of market inputs. The three levels of the hierarchy are described below:

Level 1 — Quoted prices in active markets for identical assets and liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset and liability or can be corroborated with observable market data for substantially the entire contractual term of the asset or liability.

Level 3 — Unobservable inputs that reflect the entity's own assumptions that market participants would use in the pricing of the asset or liability and are consequently not based on market activity, but rather through particular valuation techniques.

The determination of where an asset or liability falls in the hierarchy requires significant judgment and considers factors specific to the asset or liability. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company evaluates its hierarchy disclosures each quarter and depending on various factors, it is possible that an asset or liability may be classified differently from quarter to quarter. However, the Company expects that changes in classifications between levels will be rare.

Financial Instruments Measured at Fair Value on a Recurring Basis

Derivative Instruments

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with those derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. However, as of December 31, 2022 and 2021, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of the Company's derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The valuation of derivative instruments is determined using a discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, as well as observable market-based inputs, including interest rate curves and implied volatilities. In addition, credit valuation adjustments, are incorporated into the fair values to account for the Company's potential nonperformance risk and the performance risk of the counterparties.

The following table presents information about the Company's assets and liabilities measured at fair value as of December 31, 2022 and 2021, aggregated by the level in the fair value hierarchy within which those instruments fall.

(In thousands)	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
December 31, 2022				
Derivative assets, at fair value (non-designated)	$ —	$ 3,737	$ —	$ 3,737
Derivative assets, at fair value (designated)	—	36,910	—	36,910
Derivative liabilities, at fair value	—	—	—	—
Total	$ —	$ 40,647	$ —	$ 40,647
December 31, 2021				
Derivative assets, at fair value (non-designated)	$ —	$ 174	$ —	$ 174
Derivative liabilities, at fair value (designated)		(13,903)		(13,903)
Total	$ —	$ (13,729)	$ —	$ (13,729)

A review of the fair value hierarchy classification is conducted on a quarterly basis. Changes in the type of inputs may result in a reclassification for certain assets. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the year ended December 31, 2022.

Real Estate Investments Measured at Fair Value on a Non-Recurring Basis

Real Estate Investments — Held for Use

The Company also had impaired real estate investments held for use, which were carried at fair value on a non-recurring basis on the consolidated balance sheet as of December 31, 2022 and 2021.

As of December 31, 2022, the Company owned 17 held for use properties (nine MOBs and eight SHOPs) for which the Company had reconsidered its expected holding period, of which 10 properties (two MOBs and eight SHOPs) are being marketed for sale. As a result, the Company evaluated the impact on its ability to recover the carrying value of the properties and recorded impairment charges to write these properties down to their estimated fair values. The Company had also previously written down other held for use properties which have subsequently been sold.

As of December 31, 2021, the Company owned five held for use properties (one MOB and four SHOPs) for which the Company had reconsidered their expected holding periods and which were being marketed for sale. As a result, the Company evaluated the impact on its ability to recover the carrying values of the respective properties and recorded impairment charges to write these properties down to their estimated fair values during 2021. The four SHOPs were sold in the first quarter of 2022.

See Note 3 — *Real Estate investments, Net - "Assets Held for Use and Related Impairments"* for additional details.

Real Estate Investments — Held for Sale

Real estate investments held for sale are carried at net realizable value on a non-recurring basis and are generally classified in Level 3 of the fair value hierarchy. The Company did not have any real estate investments classified as held for sale as of December 31, 2022 and 2021.

Financial Instruments Not Measured at Fair Value

The Company is required to disclose the fair value of financial instruments for which it is practicable to estimate that value. The fair values of short-term financial instruments such as cash and cash equivalents, restricted cash, straight-line rent receivable, net, prepaid expenses and other assets, deferred costs, net, accounts payable and accrued expenses, deferred rent and distributions payable approximate their carrying value on the consolidated balance sheets due to their short-term nature.

The fair values of the Company's remaining financial instruments that are not reported at fair value on the consolidated balance sheets are reported below:

		December 31, 2022		December 31, 2021	
(In thousands)	Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Gross mortgage notes payable and mortgage premium and discounts, net	3	$ 583,817	$ 550,626	$ 590,425	$ 594,348
Credit Facility	3	$ 180,000	$ 179,496	$ 150,000	$ 148,817
Fannie Mae Master Credit Facilities	3	$ 352,047	$ 353,034	$ 355,045	$ 350,710

The fair value of the mortgage notes payable is estimated using a discounted cash flow analysis, based on the Advisor's experience with similar types of borrowing arrangements, excluding the value of derivatives.

Note 7 — Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives

The Company may use derivative financial instruments, including interest rate swaps, caps, collars, options, floors and other interest rate derivative contracts, to hedge all or a portion of the interest rate risk associated with its borrowings.

The principal objective of such arrangements is to minimize the risks and/or costs associated with the Company's operating and financial structure as well as to hedge specific anticipated transactions. Additionally, in using interest rate derivatives, the Company aims to add stability to interest expense and to manage its exposure to interest rate movements. The Company does not intend to utilize derivatives for speculative purposes or purposes other than interest rate risk management. The use of derivative financial instruments carries certain risks, including the risk that the counterparties to these contractual arrangements are not able to perform under the agreements. To mitigate this risk, the Company only enters into derivative financial instruments with counterparties with high credit ratings and with major financial institutions with which the Company, and its affiliates, may also have other financial relationships. The Company does not anticipate that any of its counterparties will fail to meet their obligations.

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the consolidated balance sheets as of December 31, 2022 and 2021:

(In thousands)	Balance Sheet Location	December 31, 2022	December 31, 2021
Derivatives designated as hedging instruments:			
Interest rate "pay-fixed" swaps	Derivative assets, at fair value	$ 36,910	$ —
Interest rate "pay-fixed" swaps	Derivative liabilities, at fair value	$ —	$ 13,903
Derivatives not designated as hedging instruments:			
Interest rate caps	Derivative assets, at fair value	$ 3,737	$ 174

Cash Flow Hedges of Interest Rate Risk

The Company currently has nine interest rate swaps that are designated as cash flow hedges. The interest rate swaps are used as part of the Company's interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. During the years ended December 31, 2022 and 2021, such derivatives were used to hedge the variable cash flows associated with variable-rate debt. The interest rate "pay-fixed" swaps have base interest rates between 1.39% and 2.32% with expirations varying through December 2026.

The changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive (loss) income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings.

In connection with the refinancing of the $250.0 million loan made by Capital One, National Association and certain other lenders to certain subsidiaries of the OP on June 30, 2017 (the "MOB Loan"), during the fourth quarter of 2019, the Company terminated two interest rate swaps with an aggregate notional amount of $250.0 million for a payment of approximately $2.2 million. Following these terminations, $2.2 million was recorded in AOCI and was being recorded as an adjustment to interest expense over the original term of the two terminated swaps and the MOB Loan prior to its refinancing. For the years ended December 31, 2022, 2021 and 2020, the Company reclassified $0.4 million, $0.9 million and $0.9 million, respectively, from AOCI as increases to interest expense. No amounts remained in AOCI related to these previously terminated swaps as of December 31, 2022.

During the year ended December 31, 2022, the Company converted $150.0 million of the "pay-fixed" swaps on its Credit Facility and $378.5 million of the "pay-fixed" swaps on its mortgages from LIBOR to SOFR.

Amounts reported in accumulated other comprehensive (loss) income related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. During the next 12 months, from January 1, 2023 through December 31, 2023, the Company estimates that $17.4 million will be reclassified from other comprehensive income as a decrease to interest expense relating to the "pay-fixed" swaps designated as derivatives.

As of December 31, 2022 and 2021, the Company had the following derivatives that were designated as cash flow hedges of interest rate risk:

	December 31, 2022		December 31, 2021	
Interest Rate Derivative	**Number of Instruments**	**Notional Amount**	**Number of Instruments**	**Notional Amount**
		(In thousands)		*(In thousands)*
SOFR-based interest rate "pay-fixed" swaps	7	$ 528,500	—	$ —
LIBOR-based interest rate "pay-fixed" swaps	2	50,000	9	578,500
Total interest rate "pay-fixed" swaps	9	$ 578,500	9	$ 578,500

The table below details the location in the financial statements of the loss recognized on interest rate derivatives designated as cash flow hedges for the periods ended December 31, 2022 and 2021:

(In thousands)	Year Ended December 31, 2022	2021	2020
Amount of gain (loss) recognized in accumulated other comprehensive (loss) income on interest rate derivatives	$ 50,098	$ 14,322	$ (40,614)
Amount of (loss) gain reclassified from accumulated other comprehensive income into income as interest expense	$ (1,153)	$ (11,010)	$ (7,999)
Total amount of interest expense presented in the consolidated statements of operations and comprehensive loss	$ 51,740	$ 47,900	$ 51,519

Non-Designated Derivatives

These derivatives are used to manage the Company's exposure to interest rate movements, but the Company has not elected to apply hedge accounting. As of December 31, 2022, we have entered into seven LIBOR interest rate caps with a notional amount of $354.6 million (of which six caps were active as of December 31, 2022 and one has a forward start date as of April 2023) which limit 30-day LIBOR borrowings to 3.50% and have varying expiration dates through April 2024. Beginning in the fourth quarter of 2022, LIBOR exceeded 3.50% and the Company began receiving payments under these interest rate caps. While the Company does not apply hedge accounting for these interest rate caps, they are economically hedging the Capital One Facility and KeyBank Facility. Changes in the fair value of, and any cash received from, derivatives not designated as hedges under a qualifying hedging relationship are recorded directly to net income (loss) and are presented within gain (loss) on non-designated derivatives in our consolidated statements of operations and comprehensive loss. For the years ended December 31, 2022, 2021 and 2020, gain (loss) on non-designated derivatives were a gain of $3.8 million (including cash received of $0.3 million), a gain of $37,000 and a loss of $0.1 million, respectively.

The Company had the following outstanding interest rate derivatives that were not designated as a hedges in qualifying hedging relationships as of as of December 31, 2022 and 2021:

Interest Rate Derivatives	December 31, 2022 Number of Instruments	Notional Amount [(1)] (In thousands)	December 31, 2021 Number of Instruments	Notional Amount [(1)] (In thousands)
Interest rate caps [(2)]	7	$ 354,624	9	$ 355,175

(1) Notional amount represents the currently active interest cap contract and excludes one and three inactive cap agreements (included in the instrument count) with aggregate notional amounts of $52.6 million and $140.8 million as of December 31, 2022 and 2021, respectively, which take effect upon the expiration of similar caps included above and effectively extend the term for the same notional amount.

(2) All of the Company's interest rate cap agreements limit 30-day LIBOR to 3.50% with terms through April 2024. The actual 30-day LIBOR rates during the fourth quarter of 2022 exceeded the strike price rate of 3.50% and the Company is currently receiving payments under these agreements. Changes in the fair market value of these non-designated derivatives, as well as any cash received, are presented within gain (loss) on non-designated derivatives in the Company's consolidated statements of operations and comprehensive income.

Offsetting Derivatives

The table below presents a gross presentation, the effects of offsetting, and a net presentation of the Company's derivatives as of December 31, 2022 and 2021. The net amounts of derivative assets or liabilities can be reconciled to the tabular disclosure of fair value. The tabular disclosure of fair value provides the location that derivative assets and liabilities are presented on the consolidated balance sheets.

(In thousands)	Gross Amounts of Recognized Assets	Gross Amounts of Recognized (Liabilities)	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet: Financial Instruments	Gross Amounts Not Offset in the Consolidated Balance Sheet: Cash Collateral Received	Net Amount
December 31, 2022	$ 40,647	—	—	$ 40,647	—	—	$ 40,647
December 31, 2021	$ 174	—	—	$ 174	—	—	$ 174
December 31, 2021	$ —	(13,903)	—	$ (13,903)	—	—	$(13,903)

Credit-risk-related Contingent Features

The Company has agreements in place with each of its derivative counterparties that contain a provision where if the Company either defaults or is capable of being declared in default on any of its indebtedness, then the Company could also be declared in default on its derivative obligations.

As of December 31, 2022 there were no derivatives in a net liability position. The Company is not required to post any collateral related to these agreements and was not in breach of any agreement provisions.

Note 8 — Stockholders' Equity

Common Stock

As of December 31, 2022 and 2021, the Company had 105,080,531 and 99,281,754 shares of common stock outstanding, respectively, including unvested restricted shares, shares issued pursuant to the Company's distribution reinvestment plan ("DRIP"), net of share repurchases, and shares issued as stock dividends since October 2020. Since October 2020, the Company has issued an aggregate of approximately 12.6 million shares in respect to the stock dividends. No other additional shares of common stock were issued during the years ended December 31, 2022 or 2021. References made to weighted-average shares and per-share amounts in the consolidated statements of operations and comprehensive income have been retroactively adjusted to reflect the cumulative increase in shares outstanding due to the stock dividends (including the January 2023 stock dividend), and are noted as such throughout the accompanying financial statements and notes. Any future issuances of stock dividends will also result in retroactive adjustments. See *Note 1 — Organization* for additional information.

On April 1, 2022, the Company published a new estimate of per-share net asset value ("Estimated Per-Share NAV") as of December 31, 2021, which was approved by the Board on March 28, 2022. The Company intends to publish Estimated Per-Share NAV periodically at the discretion of the Board, provided that such estimates will be made at least once annually unless the Company lists its common stock.

Tender Offers

On January 9, 2020, the Company announced a tender offer (the "2020 Tender Offer") to purchase up to 200,000 shares of its common stock for cash at a purchase price equal to $8.50 per share with the proration period and withdrawal rights expiring February 7, 2020. The Company made the 2020 Tender Offer in response to an unsolicited offer to stockholders commenced on December 31, 2019. The 2020 Tender Offer expired in accordance with the terms on February 7, 2020. In accordance with the 2020 Tender Offer, the Company accepted for purchase 200,000 shares for a total cost of approximately $1.7 million, which was funded with available cash.

Share Repurchase Program

Under the Company's share repurchase program (the "SRP"), as amended from time to time, qualifying stockholders are able to sell their shares to the Company in limited circumstances. The SRP permits investors to sell their shares back to the Company after they have held them for at least one year, subject to significant conditions and limitations. Repurchases of shares of the Company's common stock, when requested, are at the sole discretion of the Board.

Under the SRP, subject to certain conditions, only repurchase requests made following the death or qualifying disability of stockholders that purchased shares of the Company's common stock or received their shares from the Company (directly or indirectly) through one or more non-cash transactions are considered for repurchase. Additionally, pursuant to the SRP, the repurchase price per share equals 100% of the Estimated Per-Share NAV in effect on the last day of the fiscal semester, or the six-month period ending June 30 or December 31.

On February 26, 2020, the Company repurchased 505,101 shares of common stock for approximately $8.8 million, at an average price per share of $17.50 pursuant to the SRP. The repurchases reflect all repurchase requests made in good order following the death or qualifying disability of stockholders during the period commencing July 1, 2019 up to and including December 31, 2019.

Pursuant to the SRP, repurchases were to be made in respect of requests made during the periods when the SRP was active during the active periods under the SRP during the six months ending June 30, 2020 - the period from January 1, 2020 to January 8, 2020 and the period from February 26, 2020 up to and including June 30, 2020 - no later than July 31, 2020.

On February 26, 2020, the Company repurchased 505,101 shares of common stock for approximately $8.8 million, at an average price per share of $17.50 pursuant to the SRP. The repurchases reflect all repurchase requests made in good order following the death or qualifying disability of stockholders during the period commencing July 1, 2019 up to and including December 31, 2019.

Pursuant to the SRP, repurchases were to be made in respect of requests made during the periods when the SRP was active during the active periods under the SRP during the six months ending June 30, 2020 - the period from January 1, 2020 to January 8, 2020 and the period from February 26, 2020 up to and including June 30, 2020 - no later than July 31, 2020.

On August 13, 2020, in order to strategically maintain the Company's liquidity in light of the continued impact of COVID-19 pandemic and to comply with an amendment to the Credit Facility described in Note 5 — *Credit Facilities, Net*, which restricts the Company from repurchasing shares until no earlier than the Commencement Quarter (which has not yet occurred), the Board determined that, effective on August 14, 2020, repurchases under the SRP would be suspended. The Board also rejected all repurchase requests made during the period from January 1, 2020 until the effectiveness of the suspension of the SRP. No further repurchase requests under the SRP may be made unless and until the SRP is reactivated. No assurances can be made as to when or if the SRP will be reactivated.

When a stockholder requests redemption and redemption is approved by the Board, the Company will reclassify such obligation from equity to a liability based on the settlement value of the obligation. Shares repurchased under the SRP have the status of authorized but unissued shares.

The table below reflects the number of shares repurchased and the average price per share (retroactively adjusted for the Stock Dividends), under the SRP and does not include any repurchases under tender offers (see above), cumulatively through December 31, 2022:

	Number of Shares Repurchased	Average Price per Share
Cumulative repurchases as of December 31, 2021	4,896,620	$ 20.60
Year ended December 31, 2022	—	—
Cumulative repurchases as of December 31, 2022	4,896,620	20.60

Distribution Reinvestment Plan

Pursuant to the DRIP, stockholders may elect to reinvest distributions paid in cash by the Company into shares of common stock. No dealer manager fees or selling commissions are paid with respect to shares purchased under the DRIP. The shares purchased pursuant to the DRIP have the same rights and are treated in the same manner as all of the other shares of outstanding common stock. The Board may designate that certain cash or other distributions be excluded from reinvestment pursuant to the DRIP. The Company has the right to amend the DRIP or terminate the DRIP with ten days' notice to participants. Shares issued under the DRIP are recorded as equity in the accompanying consolidated balance sheet in the period distributions are declared. During the years ended December 31, 2022 and 2021, the Company did not issue any shares of common stock pursuant to the DRIP. During the year ended December 31, 2020, the Company issued 0.9 million shares of common stock pursuant to the DRIP, generating aggregate proceeds of $14.6 million. Because shares of common stock are only offered and sold pursuant to the DRIP in connection with the reinvestment of distributions paid in cash, participants in the DRIP will not be able to reinvest in shares thereunder for so long as the Company pays distributions in stock instead of cash.

Stockholder Rights Plan

In May 2020, the Company announced that the Board had approved a stockholder rights plan. In December 2020, the Company issued a dividend of one common share purchase right for each share of its common stock outstanding as authorized by its board of directors in its discretion.

Preferred Stock

The Company is authorized to issue up to 50,000,000 shares of preferred stock. In connection with an underwritten offering in December 2019 (see details below), the Company classified and designated 1,610,000 shares of its authorized preferred stock as authorized shares of its Series A Preferred Stock as of December 31, 2022. In September 2020, the Board authorized the classification of 600,000 additional shares of the Company's preferred stock as Series A Preferred Stock in connection with the Preferred Stock Equity Line (as defined below) and in May 2021, the Board authorized the classification of 2,530,000 additional shares of the Company's preferred stock as Series A Preferred Stock in connection with the offering in May 2021 (described below). The Company had 3,977,144 shares of Series A Preferred Stock issued and outstanding, as of December 31, 2022 and 2021.

In connection with an underwritten offering in October 2021, the Company classified and designated 3,680,000 shares of its authorized preferred stock on October 4, 2021 as authorized shares of its 7.125% Series B Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value per share ("Series B Preferred Stock"). As a result of an underwritten offering in October 2021, the Company had 3,630,000 shares of Series B Preferred Stock issued and outstanding as of December 31, 2022 and 2021.

Series A Preferred Stock

Series A Preferred Stock — Terms

Holders of Series A Preferred Stock are entitled to cumulative dividends in the amount of $1.84375 per share each year, which is equivalent to the rate of 7.375% of the $25.00 liquidation preference per share per annum. The Series A Preferred Stock has no stated maturity and will remain outstanding indefinitely unless redeemed, converted or otherwise repurchased. On and after December 11, 2024, at any time and from time to time, the Series A Preferred Stock will be redeemable in whole or in part, at the Company's option, at a cash redemption price of $25.00 per share, plus an amount equal to all dividends accrued and unpaid (whether or not authorized or declared), if any, to, but not including, the redemption date. In addition, upon the occurrence of a Delisting Event or a Change of Control (each as defined in the articles supplementary governing the terms of the Series A Preferred Stock (the "Series A Articles Supplementary")), the Company may, subject to certain conditions, at its option, redeem the Series A Preferred Stock, in whole or in part, after the first date on which the Delisting Event occurred or within 120 days after the first date on which the Change of Control occurred, as applicable, by paying the liquidation preference of $25.00 per share, plus an amount equal to all dividends accrued and unpaid (whether or not authorized or declared), if any, to, but not including, the redemption date. Upon the occurrence of a Change of Control during a continuing Delisting Event, unless the Company has elected to exercise its redemption right, holders of the Series A Preferred Stock will have certain rights to convert Series A Preferred Stock into shares of Company's common stock. In addition, upon the occurrence of a Delisting Event, the dividend rate will be increased on the day after the occurrence of the Delisting Event by 2.00% per annum to the rate of 9.375% of the $25.00 liquidation preference per share per annum (equivalent to $2.34375 per share each year) from and after the date of the Delisting Event. Following the cure of such Delisting Event, the dividend rate will revert to the rate of 7.375% of the $25.00 liquidation preference per share per annum. The necessary conditions to convert the Series A Preferred Stock into common stock have not been met as of December 31, 2022. Therefore, Series A Preferred Stock did not impact Company's earnings per share calculations for the year ended December 31, 2022, 2021 and 2020.

The Series A Preferred Stock ranks senior to common stock, with respect to dividend rights and rights upon the Company's voluntary or involuntary liquidation, dissolution or winding up.

Voting rights for holders of Series A Preferred Stock exist primarily with respect to the ability to elect two additional directors to the board of directors if six or more quarterly dividends (whether or not authorized or declared or consecutive) payable on the Series A Preferred Stock are in arrears, and with respect to voting on amendments to the Company's charter (which includes the Series A Articles Supplementary) that materially and adversely affect the rights of the Series A Preferred Stock or create additional classes or series of shares of the Company's capital stock that are senior to the Series A Preferred Stock. Other than the limited circumstances described above and in the Series A Articles Supplementary, holders of Series A Preferred Stock do not have any voting rights.

Series A Preferred Stock Add-On Offering

On May 11, 2021, the Company completed an underwritten public offering of 2,352,144 shares (which includes 152,144 shares issued and sold pursuant to the underwriters' exercise of their option to purchase additional shares) of its Series A Preferred Stock for net proceeds of $56.0 million after deducting the underwriters' discount, structuring fee and other offering costs aggregating to $2.9 million. Pursuant to the terms of the Credit Facility, all proceeds were used to repay amounts outstanding under the Credit Facility.

Series A Preferred Units

In September 2021, the Company partially funded the purchase of an MOB from an unaffiliated third party by causing the OP to issue 100,000 partnership units in the OP designated as "Series A Preferred Units". These were recorded at fair value on the date of the acquisition at $2.6 million and were included as part of the consideration paid for the acquisition. Additionally, these are considered a non-controlling interest for the Company and were recorded as an increase in non-controlling interests on the consolidated balance sheet (see *Note 13* — *Non-controlling Interests* for additional information).

Preferred Stock Equity Line with B. Riley Principal Capital, LLC

On September 15, 2020, the Company entered into a preferred stock purchase agreement and registration rights agreement with B. Riley Principal Capital, LLC ("B. Riley"), pursuant to which the Company has the right from time to time to sell up to an aggregate of $15 million of shares of its Series A Preferred Stock to B. Riley until December 31, 2023, on the terms and subject to the conditions set forth in the purchase agreement. This arrangement is also referred to as the "Preferred Stock Equity Line." The Company controls the timing and amount of any sales to B. Riley under the Preferred Stock Equity Line, and B. Riley is obligated to make purchases of up to 3,500 shares of Series A Preferred Stock each time (as may be increased by mutual agreement by the parties) in accordance with the purchase agreement, upon certain terms and conditions being met. The Company sold 15,000 shares under the Preferred Stock Equity Line during the year ended December 31, 2021, resulting in gross proceeds of $0.4 million and net proceeds of $0.3 million after fees and commissions.

In total, the Company incurred $1.2 million in costs related to establishing the Preferred Stock Equity Line which were all initially recorded in prepaid expenses and other assets on our consolidated balance sheet. Upon receiving proceeds under the Preferred Stock Equity Line in the third quarter of 2021, the Company reclassified $30,000 of these prepaid costs to additional paid in capital in the Company's consolidated statement of changes in equity as a reduction of the gross proceeds received under the Preferred Stock Equity Line.

In the fourth quarter of 2021, the Company determined that it was not probable that additional proceeds would be received from the Preferred Stock Equity Line and later terminated the Preferred Stock Equity Line. As a result, the Company expensed the remaining balance of prepaid costs, which totaled $1.2 million, within acquisition and transaction related costs on the consolidated statement of operations and comprehensive income during the year ended December 31, 2021.

The Company did not sell any Series A Preferred Stock under the Preferred Stock Equity Line during the year ended December 31, 2020 or through its termination in the year ended December 31, 2021.

Series B Preferred Stock

Series B Preferred Stock — Terms

Holders of Series B Preferred Stock are entitled to cumulative dividends in the amount of $1.78125 per share each year, which is equivalent to the rate of 7.125% of the $25.00 liquidation preference per share per annum. The Series B Preferred Stock has no stated maturity and will remain outstanding indefinitely unless redeemed, converted or otherwise repurchased. On and after October 6, 2026, at any time and from time to time, the Series B Preferred Stock will be redeemable in whole or in part, at the Company's option, at a cash redemption price of $25.00 per share, plus an amount equal to all dividends accrued and unpaid (whether or not authorized or declared), if any, to, but not including, the redemption date. In addition, upon the occurrence of a Delisting Event or a Change of Control (each as defined in the articles supplementary governing the terms of the Series B Preferred Stock (the "Series B Articles Supplementary")), the Company may, subject to certain conditions, at its option, redeem the Series B Preferred Stock, in whole or in part, after the first date on which the Delisting Event occurred or within 120 days after the first date on which the Change of Control occurred, as applicable, by paying the liquidation preference of $25.00 per share, plus an amount equal to all dividends accrued and unpaid (whether or not authorized or declared), if any, to, but not including, the redemption date. Upon the occurrence of a Change of Control during a continuing Delisting Event, unless the Company has elected to exercise its redemption right, holders of the Series B Preferred Stock will have certain rights to convert Series B Preferred Stock into shares of Company's common stock. In addition, upon the occurrence of a Delisting Event, the dividend rate will be increased on the day after the occurrence of the Delisting Event by 2.00% per annum to the rate of 9.125% of the $25.00 liquidation preference per share per annum (equivalent to $2.28125 per share each year) from and after the date of the Delisting Event. Following the cure of such Delisting Event, the dividend rate will revert to the rate of 7.125% of the $25.00 liquidation preference per share per annum. The necessary conditions to convert the Series B Preferred Stock into common stock have not been met as of December 31, 2022. Therefore, Series B Preferred Stock did not impact Company's earnings per share calculations for the year ended December 31, 2022 and 2021.

The Series B Preferred Stock ranks on parity with the Company's Series A Preferred Stock, and senior to its common stock, with respect to dividend rights and rights upon the Company's voluntary or involuntary liquidation, dissolution or winding up.

Voting rights for holders of Series B Preferred Stock exist primarily with respect to the ability to elect two additional directors to the board of directors if six or more quarterly dividends (whether or not authorized or declared or consecutive) payable on the Series B Preferred Stock are in arrears, and with respect to voting on amendments to the Company's charter (which includes the Series B Articles Supplementary) that materially and adversely affect the rights of the Series B Preferred Stock or create additional classes or series of shares of the Company's capital stock that are senior to the Series B Preferred Stock. Other than the limited circumstances described above and in the Series B Articles Supplementary, holders of Series B Preferred Stock do not have any voting rights.

Underwritten Offering — Series B Preferred Stock

On October 6, 2021, the Company completed the initial issuance and sale of 3,630,000 shares (which includes 430,000 shares issued and sold pursuant to the underwriters' exercise of their option to purchase additional shares) of its 7.125% Series B Preferred Stock in an underwritten public offering at a public offering price equal to the liquidation preference of $25.00 per share. The offering generated gross proceeds of $90.8 million and net proceeds of $86.8 million, after deducting underwriting discounts, structuring fees and other costs.

Pursuant to the terms of the Credit Facility, all proceeds were used to repay amounts outstanding under the Credit Facility. Subject to the terms and conditions set forth in the Credit Facility, the Company may then draw on the Credit Facility to borrow any amounts so repaid.

Distributions and Dividends

Common Stock

In April 2013, the Board authorized, and the Company began paying distributions on a monthly basis at a rate equivalent to $1.70 per annum, per share of common stock, which began in May 2013. In March 2017, the Board authorized a decrease in the rate at which the Company pays monthly distributions to stockholders, effective as of April 1, 2017, to a rate equivalent to $1.45 per annum per share of common stock. On February 20, 2018, the Board authorized a further decrease in the rate at which the Company pays monthly distributions to stockholders, effective as of March 1, 2018, to a rate equivalent to $0.85 per annum per share of common stock.

From March 1, 2018 until June 30, 2020, the Company paid monthly distributions to stockholders at a rate equivalent to $0.85 per annum per share of common stock. Distributions were payable by the 5th day following each month end to stockholders of record at the close of business each day during the prior month.

On August 13, 2020, the Board changed the Company's common stock distribution policy in order to preserve the Company's liquidity and maintain additional financial flexibility in light of the continued COVID-19 pandemic and to comply with an amendment to the Credit Facility (see *Note 5* — *Credit Facility, Net* for additional information) which restricts the Company from paying distributions on common stock until no earlier than the quarter ending June 30, 2021. Under the new policy, distributions authorized by the Board on the Company's shares of common stock, if and when declared, are now paid on a quarterly basis in arrears in shares of the Company's common stock valued at the Company's estimated per share net asset value of common stock in effect on the applicable date, based on a single record date to be specified at the beginning of each quarter. The following table details these stock dividends:

Stock Dividend Declaration Date	Stock Dividend Issue Date	Quarterly Stock Dividend Rate (per share)
October 1, 2020	October 15, 2020	0.013492
January 4, 2021	January 15, 2021	0.013492
April 2, 2021	April 15, 2021	0.014655
July 1, 2021	July 15, 2021	0.014655
October 1, 2021	October 15, 2021	0.014655
January 3, 2022	January 15, 2022	0.014655
April 1, 2022	April 18, 2022	0.014167
July 1, 2022	July 15, 2022	0.014167
October 3, 2022	October 17, 2022	0.014167
January 3, 2023	January 18, 2023	0.014167

Tax Characteristics of Dividends

The following table details from a tax perspective the portion of distributions classified as a return of capital, capital gain dividend income and ordinary dividend income, per share per annum, for the year ended December 31, 2020. All common dividends in the years ended December 31, 2022 and 2021, and a portion of common dividends issued in the year ended December 31, 2020, were issued as stock dividends, which do not represent taxable dividends to shareholders for U.S. federal income tax purposes. The cash distributions paid to holders of common stock in the first half of the year ended December 31, 2020 were considered 100% return of capital. All dividends paid on the Series A Preferred Stock and Series B Preferred Stock were considered 100% return of capital for tax purposes for the years ended December 31, 2022, 2021 and 2020.

Note 9 — Related Party Transactions and Arrangements

As of December 31, 2022 and 2021, the Special Limited Partner owned 10,094 and 9,537 shares, respectively, of the Company's outstanding common stock. The Advisor and its affiliates may incur and pay costs and fees on behalf of the Company. As of December 31, 2022 and 2021, the Advisor held 90 partnership units in the OP designated as "Common OP Units."

The limited partnership agreement of the OP (as amended from time to time, the "LPA") allows for the special allocation, solely for tax purposes, of excess depreciation deductions of up to $10.0 million to the Advisor, a limited partner of the OP. In connection with this special allocation, the Advisor has agreed to restore a deficit balance in its capital account in the event of a liquidation of the OP and has agreed to provide a guaranty or indemnity of indebtedness of the OP.

Fees Incurred in Connection with the Operations of the Company

The Second Amended and Restated Advisory Agreement by and among the Company, the OP and the Advisor (as amended, the "Second A&R Advisory Agreement") took effect on February 17, 2017, and is automatically renewable for another ten-year term upon each ten-year anniversary unless the Second A&R Advisory Agreement is terminated (i) with notice of an election not to renew at least 365 days prior to the applicable tenth anniversary, (ii) in accordance with a change of control (as defined in the Second A&R Advisory Agreement) or a transition to self-management, (iii) by 67% of the independent directors of the Board for cause, without penalty, with 45 days' notice or (iv) with 60 days prior written notice by the Advisor for (a) a failure to obtain a satisfactory agreement for any successor to the Company to assume and agree to perform obligations under the Second A&R Advisory Agreement or (b) any material breach of the Second A&R Advisory Agreement of any nature whatsoever by the Company.

On July 25, 2019, the Company entered into Amendment No. 1 to the Second A&R Advisory Agreement (the "Advisory Agreement Amendment") among the Company, the OP, and the Advisor. The Advisory Agreement Amendment was unanimously approved by the Company's independent directors. Additional information on the Advisory Agreement Amendment is included later in this footnote under *"Professional Fees and Other Reimbursements."*

Acquisition Expense Reimbursements

The Advisor may be reimbursed for services provided for which it incurs investment-related expenses, or insourced expenses. The amount reimbursed for insourced expenses may not exceed 0.5% of the contract purchase price of each acquired property or 0.5% of the amount advanced for a loan or other investment. Additionally, the Company reimburses the Advisor for third party acquisition expenses. Under the Second A&R Advisory Agreement, total acquisition expenses may not exceed 4.5% of the contract purchase price of the Company's portfolio or 4.5% of the amount advanced for all loans or other investments. This threshold has not been exceeded through December 31, 2022.

Asset Management Fees and Variable Management/Incentive Fees

Under the LPA and the advisory agreement that was superseded by the 0riginal amended and restated advisory agreement and until March 31, 2015, for its asset management services, the Company issued the Advisor an asset management subordinated participation by causing the OP to issue (subject to periodic approval by the Board) to the Advisor partnership units of the OP designated as "Class B Units" ("Class B Units"). The Class B Units were intended to be profit interests and vest, and no longer are subject to forfeiture, at such time as: (x) the value of the OP's assets plus all distributions made equals or exceeds the total amount of capital contributed by investors plus a 6.0% cumulative, pre-tax, non-compounded annual return thereon (the "Economic Hurdle"); (y) any one of the following occurs: (1) a listing; (2) another liquidity event or (3) the termination of the advisory agreement by an affirmative vote of a majority of the Company's independent directors without cause; and (z) the Advisor is still providing advisory services to the Company (the "Performance Condition").

Unvested Class B Units will be forfeited immediately if: (a) the advisory agreement is terminated for any reason other than a termination without cause; or (b) the advisory agreement is terminated by an affirmative vote of a majority of the Company's independent directors without cause before the Economic Hurdle has been met.

Subject to approval by the Board, the Class B Units were issued to the Advisor quarterly in arrears pursuant to the terms of the LPA. The number of Class B Units issued in any quarter was equal to: (i) the excess of (A) the product of (y) the cost of assets multiplied by (z) 0.1875% over (B) any amounts payable as an oversight fee (as described below) for such calendar quarter; divided by (ii) the value of one share of common stock as of the last day of such calendar quarter, which was initially equal to $22.50 (the price in the Company's initial public offering of common stock minus the selling commissions and dealer manager fees). The value of issued Class B Units will be determined and expensed when the Company deems the achievement of the Performance Condition to be probable. As of December 31, 2022, the Company determined that achieving the Performance Condition was not yet considered probable for accounting purposes. The Advisor receives cash distributions on each issued Class B Unit equivalent to the cash distribution paid, if any on the Company's common stock. These cash distributions on Class B Units are included in general and administrative expenses in the consolidated statement of operations and comprehensive loss until the Performance Condition is considered probable to occur. Stock Dividends do not cause the OP to issue additional Class OP Units, rather, the redemption ratio to common stock is adjusted. The Board has previously approved the issuance of 359,250 Class B Units to the Advisor in connection with this arrangement. The Board determined in February 2018 that Economic Hurdle had been satisfied, however none of the events have occurred, including a listing of the Company's common stock on a national securities exchange, which would have satisfied the other vesting requirement of the Class B Units. Therefore, no expense has ever been recognized in connection with the Class B Units.

On May 12, 2015, the Company, the OP and the Advisor entered into an amendment to the then-current advisory agreement, which, among other things, provided that the Company would cease causing the OP to issue Class B Units to the Advisor with respect to any period ending after March 31, 2015.

Effective February 17, 2017, the Second A&R Advisory Agreement requires the Company to pay the Advisor a base management fee, which is payable on the first business day of each month. The fixed portion of the base management fee is equal to $1.625 million per month, while the variable portion of the base management fee is equal to one-twelfth of 1.25% of the cumulative net proceeds of any equity (including convertible equity and certain convertible debt but excluding proceeds from the DRIP) issued by the Company and its subsidiaries subsequent to February 17, 2017 per month. There are no variable management fees earned from the issuance of common stock dividends. The base management fee is payable to the Advisor or its assignees in cash, Common OP Units or shares, or a combination thereof, the form of payment to be determined at the discretion of the Advisor and the value of any Common OP Unit or share to be determined by the Advisor acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate.

In addition, the Second A&R Advisory Agreement requires the Company to pay the Advisor a variable management/incentive fee quarterly in arrears equal to (1) the product of fully diluted shares common stock outstanding multiplied by (2) (x) 15.0% of the applicable prior quarter's Core Earnings (as defined below) per share in excess of $0.375 per share plus (y) 10.0% of the applicable prior quarter's Core Earnings per share in excess of $0.47 per share. Core Earnings is defined as, for the applicable period, net income or loss, computed in accordance with GAAP, excluding non-cash equity compensation expense, the variable management/incentive fee, acquisition and transaction related fees and expenses, financing related fees and expenses, depreciation and amortization, realized gains and losses on the sale of assets, any unrealized gains or losses or other non-cash items recorded in net income or loss for the applicable period, regardless of whether such items are included in other comprehensive income or loss, or in net income, one-time events pursuant to changes in GAAP and certain non-cash charges, impairment losses on real estate related investments and other than temporary impairments of securities, amortization of deferred financing costs, amortization of tenant inducements, amortization of straight-line rent and any associated bad debt reserves, amortization of market lease intangibles, provision for loss loans, and other non-recurring revenue and expenses (in each case after discussions between the Advisor and the independent directors and approved by a majority of the independent directors). The variable management/incentive fee is payable to the Advisor or its assignees in cash or shares, or a combination of both, the form of payment to be determined in the sole discretion of the Advisor and the value of any share to be determined by the Advisor acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate. No variable management incentive fee was incurred for the years ended December 31, 2022, 2021 and 2020.

Property Management Fees

Unless the Company contracts with a third party, the Company pays the Property Manager a property management fee on a monthly basis, equal to 1.5% of gross revenues from the Company's stand-alone single-tenant net leased properties managed and 2.5% of gross revenues from all other types of properties managed, plus market-based leasing commissions applicable to the geographic location of the property. The Company also reimburses the Property Manager for property level expenses incurred by the Property Manager. The Property Manager may charge a separate fee for the one-time initial rent-up or leasing-up of newly constructed properties in an amount not to exceed the fee customarily charged in arm's length transactions by others rendering similar services in the same geographic area for similar properties, and the Property Manager is allowed to receive a higher property management fee in certain cases if approved by the Company's Board of Directors (including a majority of the independent directors).

If the Company contracts directly with third parties for such services, the Company will pay the third party customary market fees and will pay the Property Manager an oversight fee of 1.0% of the gross revenues of the property managed by the third party. In no event will the Company pay the Property Manager or any affiliate of the Property Manager both a property management fee and an oversight fee with respect to any particular property. If the Property Manager provides services other than those specified in the Property Management Agreement, the Company will pay the Property Manager a monthly fee equal to no more than that which the Company would pay to a third party that is not an affiliate of the Company or the Property Manager to provide the services.

On February 17, 2017, the Company entered into the Amended and Restated Property Management and Leasing Agreement (the "A&R Property Management Agreement") with the OP and the Property Manager. The A&R Property Management Agreement automatically renews for successive one-year terms unless any party provides written notice of its intention to terminate the A&R Property Management Agreement at least 90 days prior to the end of the term. Neither party has provided notice of intent to terminate. The current term of the A&R Property Management Agreement expires February 17, 2023. The Property Manager may assign the A&R Property Management Agreement to any party with expertise in commercial real estate which has, together with its affiliates, over $100.0 million in assets under management.

On April 10, 2018, in connection with the Multi-Property CMBS Loan, the Company and the OP entered into a further amendment to the A&R Property Management Agreement confirming, consistent with the intent of the parties, that the borrowers under the Multi-Property CMBS Loan and other subsidiaries of the OP that own or lease the Company's properties are the direct obligors under the arrangements pursuant to which the Company's properties are managed by either the Property Manager or a third party overseen by the Property Manager pursuant to the A&R Property Management Agreement. See the Mortgage Notes Payable table included in *Note 4* — *Mortgage Notes Payable, Net* for additional information on the Multi-Property CMBS Loan.

Professional Fees and Other Reimbursements

The Company reimburses the Advisor's costs of providing administrative services including personnel costs, except for costs to the extent that the employees perform services for which the Advisor receives a separate fee. This reimbursement includes reasonable overhead expenses for employees of the Advisor or its affiliates directly involved in the performance of services on behalf of the Company, including the reimbursement of rent expense at certain properties that are both occupied by employees of the Advisor or its affiliates and owned by affiliates of the Advisor. During the year ended December 31, 2022, 2021 and 2020, the Company incurred $8.8 million, $9.4 million and $12.1 million, respectively, of reimbursement expenses from the Advisor for providing administrative services. These reimbursement expenses are included in general and administrative expense on the consolidated statements of operations and comprehensive income (loss). In September 2022, the Advisor terminated certain of its employees who provided services to the Company and for which the Company reimbursed the

Advisor for salaries and benefits. In connection with the termination, the Company recognized a compensation charge, net of adjustments for previously accrued bonuses, of $0.3 million in the third quarter of 2022.

On July 25, 2019, the Company entered into the Advisory Agreement Amendment. Under the Advisory Agreement Amendment, including prior to the Advisory Agreement Amendment, the Company has been required to reimburse the Advisor for, among other things, reasonable salaries and wages, benefits and overhead of all employees of the Advisor or its affiliates, except for costs of employees to the extent that the employees perform services for which the Advisor receives a separate fee.

The Advisory Agreement Amendment clarifies that, with respect to executive officers of the Advisor, the Company is required to reimburse the Advisor or its affiliates for the reasonable salaries and wages, benefits and overhead of the Company's executive officers, other than for any executive officer that is also a partner, member or equity owner of AR Global, an affiliate of the Advisor.

Further, under the Advisory Agreement Amendment, the aggregate amount of expenses relating to salaries, wages and benefits, including for executive officers and all other employees of the Advisor or its affiliates (the "Capped Reimbursement Amount"), is limited to the greater of: (a) a fixed component (the "Fixed Component") and (b) a variable component (the "Variable Component").

Both the Fixed Component and the Variable Component increase by an annual cost of living adjustment equal to the greater of (x) 3.0% and (y) the CPI, as defined in the Advisory Agreement Amendment for the prior year ended December 31st. Initially, for the year ended December 31, 2020; (a) the Fixed Component was equal to $6.8 million and (b) the Variable Component was equal to (i) the sum of the total real estate investments, at cost as recorded on the balance sheet dated as of the last day of each fiscal quarter (the "Real Estate Cost") in the year divided by four, which amount is then (ii) multiplied by 0.29%.

If the Company sells real estate investments aggregating an amount equal to or more than 25.0% of Real Estate Cost, in one or a series of related dispositions in which the proceeds of the disposition(s) are not reinvested in Investments (as defined in the Advisory Agreement Amendment), then within 12 months following the disposition(s), the Advisory Agreement Amendment requires the Advisor and the Company to negotiate in good faith to reset the Fixed Component; provided that if the proceeds of the disposition(s) are paid to shareholders of the Company as a special distribution or used to repay loans with no intent of subsequently re-financing and re-investing the proceeds thereof in Investments, the Advisory Agreement amendment requires these negotiations within 90 days thereof, in each case taking into account reasonable projections of reimbursable costs in light of the Company's reduced assets.

The Company paid approximately $2.5 million in 2019 to the Advisor or its affiliates as reimbursement for bonuses of employees of the Advisor or its affiliates who provided administrative services during the calendar year 2019, prorated for the time spent working on matters relating to the Company. The Company does not reimburse the Advisor or its affiliates for any bonus amounts relating to time dedicated to the Company by Edward M. Weil, Jr., the Company's Chief Executive Officer. The Advisor formally awarded 2019 bonuses to employees of the Advisor or its affiliates in September 2020 (the "2019 Bonus Awards"). The original estimate for bonuses recorded and paid to the Advisor in 2019 exceeded the cash portion of the 2019 Bonus Awards to be paid to employees of the Advisor or its affiliates and to be reimbursed by the Company by $1.2 million. As a result, during the three months ended September 30, 2020, the Company recorded a receivable from the Advisor of $1.2 million in prepaid expenses and other assets on the consolidated balance sheet and a corresponding reduction in general and administrative expenses. Pursuant to authorization by the independent members of the Company's board of directors, the $1.2 million receivable was being paid back to the Company over a 10-month period from January 2021 through October 2021. As of December 31, 2021, all of this amount had been repaid by the Advisor.

During the second quarter of 2021, the Advisor finalized the amounts and form of the 2020 bonuses previously estimated (the "2020 Bonus Awards") to be paid to the employees of the Advisor or its affiliates who provided administrative services during such calendar year, prorated for the time spent working on matters relating to the Company. The 2020 Bonus Awards are being paid by the Advisor over a ten-month period from June 2021 to April 2022. The final amounts exceeded the amounts previously paid by the Company to the Advisor for estimated 2020 bonuses by approximately $1.0 million for the following reasons (i) forfeitures of bonuses related to employees of the Advisor or its affiliates who were terminated or resigned prior to payment (including the Company's former chief financial officer) and (ii) a general reduction in final bonuses for remaining personnel due to on-going negative impacts of the COVID-19 pandemic. As a result, during the second quarter of 2021, the Company recorded a receivable from the Advisor of $1.0 million, which is recorded in prepaid expenses and other assets on the consolidated balance sheet and a corresponding reduction in general administrative expenses. Pursuant to authorization by the independent members of the Company's board of directors, the $1.0 million receivable is required to be repaid to the Company on a pro rata basis over a six-month period from November 2021 through April 2022. As of December 31, 2022, the entire amount has been repaid by the Advisor.

Reimbursements for the cash portion of 2021 bonuses paid by the Advisor to employees of the Advisor or its affiliates were expensed and reimbursed on a monthly basis during 2021, and 2022 bonuses were expensed and reimbursed on a monthly basis during 2022 in accordance with estimates provided by the Advisor. Generally, prior to the 2019 Bonus Awards, employee bonuses have been formally awarded to employees of the Advisor or its affiliates in March as an all - cash award and paid out by the Advisor in the year subsequent to the year in which services were rendered to the Company.

In December 2020, after mediation on October 27, 2020, the Advisor agreed to a settlement with the Company's former chief executive officer for severance claims related to his termination in 2018. Pursuant to the settlement, among other parties, the Advisor advised the Company that the Company and its directors and officers were released from any and all actions or claims the former chief executive officer now has or may ever have against them. Prior to the agreement, the Advisor did not believe any settlement was probable. In consideration of the release, among other things, and upon the recommendation of its nominating and corporate governance committee, which determined that the reimbursement was advisable and fair to, and in the best interest of, the Company, the Company's board of directors approved the reimbursement by the Company to the Advisor of severance payments and legal costs relating to this settlement and determined that the reimbursement for those payments and costs would not be subject to (and therefore would not be aggregated with other reimbursements that are subject to) the Capped Reimbursement Amount. The Company recorded approximately $2.2 million of expenses for the reimbursement which is included in general and administrative expenses in the consolidated statement of operations and comprehensive loss for the year ended December 31, 2020.

Summary of fees, expenses and related payables

The following table details amounts incurred and payable in connection with the Company's operations-related services described above as of and for the periods presented:

	Year Ended December 31,			Payable (Receivable) as of	
	2022	2021	2020	December 31,	
(In thousands)	Incurred	Incurred	Incurred	2022	2021
One-time fees and reimbursements:					
Acquisition cost reimbursements	$ 23	$ 90	$ 81	$ 5	$ 23
Ongoing fees and reimbursements:					
Asset management fees	21,831	20,710	19,987	—	—
Property management fees [(4)]	4,200	3,749	4,197	3	24
Professional fees and other reimbursements [(1)] [(3)]	8,820	9,386	12,102	39	(70)
Professional fees credit due from Advisor	—	(1,030)	(1,217)	—	(859) [(2)]
Distributions on Class B Units	—	—	178	—	—
Total related party operation fees and reimbursements	$ 34,874	$ 32,905	$ 35,328	$ 47	$ (882)

(1) Included in general and administrative expenses in the consolidated statements of operations. Includes $6.0 million, $6.2 million and $5.6 million subject to the Capped Reimbursement Amount for the years ended December 31, 2022, 2021 and 2020, respectively.

(2) Balance as of December 31, 2021 includes a receivable of $0.9 million from the Advisor related to the overpayment of 2020 Bonus Awards, which, pursuant to authorization by the independent members of the Company's board of directors, was required to be repaid to the Company on a pro rata basis over a six-month period from November 2021 through April 2022.

(3) During the year ended December 31, 2020 the Company recorded approximately $2.2 million of expense reimbursements to the Advisor for severance payments and related legal costs relating to the termination of its former Chief Executive Officer.

(4) Inclusive of $0.7 million and $0.3 million of leasing commissions which are included in prepaid expenses and other assets on the consolidated balance sheet as of December 31, 2022 and 2021.

Fees and Participations Incurred in Connection with a Listing or the Liquidation of the Company's Real Estate Assets

Fees Incurred in Connection with a Listing

If the common stock of the Company is listed on a national exchange, the Special Limited Partner will be entitled to receive a promissory note as evidence of its right to receive a subordinated incentive listing distribution from the OP equal to 15.0% of the amount by which the market value of all issued and outstanding shares of common stock plus distributions exceeds the aggregate capital contributed plus an amount equal to a 6.0% cumulative, pre-tax non-compounded annual return to investors in the Company's initial public offering of common stock. No such distribution was incurred during the years ended December 31, 2022, 2021 and 2020. If the Special Limited Partner or any of its affiliates receives the subordinated incentive listing distribution the Special Limited Partner and its affiliates will no longer be entitled to receive the subordinated participation in net sales proceeds or the subordinated incentive termination distribution described below.

Subordinated Participation in Net Sales Proceeds

Upon a liquidation or sale of all or substantially all of the Company's assets, including through a merger or sale of stock, the Special Limited Partner will be entitled to receive a subordinated participation in the net sales proceeds of the sale of real estate assets from the OP equal to 15.0% of remaining net sale proceeds after return of capital contributions to investors in the Company's initial public offering of common stock plus payment to investors of a 6.0% cumulative, pre-tax non-compounded annual return on the capital contributed by investors. No such participation in net sales proceeds became due and payable during the years ended December 31, 2022, 2021 and 2020. Any amount of net sales proceeds paid to the Special Limited Partner or any of its affiliates prior to the Company's listing or termination or non-renewal of the advisory agreement with the Advisor, as applicable, will reduce dollar for dollar the amount of the subordinated incentive listing distribution described above and subordinated incentive termination distribution described below.

Termination Fees

Under the operating partnership agreement of the OP, upon termination or non-renewal of the advisory agreement with the Advisor, with or without cause, the Special Limited Partner will be entitled to receive a promissory note as evidence of its right to receive subordinated termination distributions from the OP equal to 15.0% of the amount by which the sum of the Company's market value plus distributions exceeds the sum of the aggregate capital contributed plus an amount equal to a 6.0% cumulative, pre-tax, non-compounded annual return to investors in the Company's initial public offering of common stock. The Special Limited Partner is able to elect to defer its right to receive a subordinated distribution upon termination until either a listing on a national securities exchange or other liquidity event occurs. If the Special Limited Partner or any of its affiliates receives the subordinated incentive termination distribution, the Special Limited Partner and its affiliates will no longer be entitled to receive the subordinated participation in net sales proceeds or the subordinated incentive listing distribution described above.

Under the Advisory Agreement Amendment, upon the termination or non-renewal of the agreement, the Advisor is entitled to receive from the Company all amounts due to the Advisor, including any change of control fee and transition fee (both described below), as well as the then-present fair market value of the Advisor's interest in the Company. All fees will be due within 30 days after the effective date of the termination of the Advisory Agreement Amendment.

Upon a termination by either party in connection with a change of control (as defined in the Advisory Agreement Amendment), the Company would be required to pay the Advisor a change of control fee equal to the product of four and the "Subject Fees" described below.

Upon a termination by the Company in connection with a transition to self-management, the Company would be required to pay the Advisor a transition fee equal to (i) $15.0 million plus (ii) the product of four multiplied by the Subject Fees, provided that the transition fee shall not exceed an amount equal to 4.5 multiplied by the Subject Fees.

The Subject Fees are equal to (i) the product of four multiplied by the actual base management fee plus (ii) the product of four multiplied by the actual variable management/incentive fee, in each of clauses (i) and (ii), payable for the fiscal quarter immediately prior to the fiscal quarter in which the change of control occurs or the transition to self-management, as applicable, is consummated, plus (iii) without duplication, the annual increase in the base management fee resulting from the cumulative net proceeds of any equity raised (but excluding proceeds from the DRIP) in respect to the fiscal quarter immediately prior to the fiscal quarter in which the change of control occurs or the transition to self-management, as applicable, is consummated.

Note 10 — Economic Dependency

Under various agreements, the Company has engaged or will engage the Advisor, its affiliates and entities under common control with the Advisor to provide certain services that are essential to the Company, including asset management services, supervision of the management and leasing of properties owned by the Company and asset acquisition and disposition decisions, as well as other administrative responsibilities for the Company including accounting services and investor relations.

As a result of these relationships, the Company is dependent upon the Advisor and its affiliates. In the event that the Advisor and its affiliates are unable to provide the Company with the respective services, the Company will be required to find alternative providers of these services.

Note 11 — Equity-Based Compensation

Restricted Share Plan

The Company has adopted an employee and director incentive restricted share plan (as amended from time to time, the "RSP"), which provides the Company with the ability to grant awards of restricted shares of common stock ("restricted shares") to the Company's directors, officers and employees (if the Company ever has employees), employees of the Advisor and its affiliates, employees of entities that provide services to the Company, directors of the Advisor or of entities that provide services to the Company, certain consultants to the Company and the Advisor and its affiliates or to entities that provide services to the Company. The total number of shares of common stock that may be subject to awards granted under the RSP may not exceed 5.0% of the Company's outstanding shares of common stock on a fully diluted basis at any time and in any event will not exceed 3.6 million shares (as such number may be further adjusted for stock splits, stock dividends, combinations and similar events).

Restricted shares vest on a straight-line basis over periods of three to five years and may not, in general, be sold or otherwise transferred until restrictions are removed and the shares have vested. Holders of restricted shares may receive cash distributions prior to the time that the restrictions on the restricted shares have lapsed. Any distributions payable in shares of common stock are subject to the same restrictions as the underlying restricted shares.

The following table reflects the amount of restricted shares outstanding as of December 31, 2022 and activity for the period presented:

	Number of Common Shares	Weighted-Average Issue Price
Unvested, December 31, 2019	277,241	$ 21.18
Stock dividend	2,878	15.75
Granted	—	—
Vested	(64,735)	21.18
Forfeitures	—	—
Unvested, December 31, 2020	215,384	21.11
Stock Dividend	12,646	14.79
Granted	—	
Vested	(68,603)	19.72
Forfeitures	—	—
Unvested, December 31, 2021	159,427	21.21
Stock dividend	8,313	14.86
Granted	—	—
Vested	(70,397)	23.67
Forfeitures	—	—
Unvested, December 31, 2022	97,343	18.89

As of December 31, 2022, the Company had $1.5 million of unrecognized compensation cost related to unvested restricted share awards granted under the RSP. That cost is expected to be recognized over a weighted-average period of 1.6 years. Compensation expense related to restricted shares was $1.2 million, $1.3 million and $1.3 million during the years ended December 31, 2022, 2021 and 2020, respectively.

Other Share-Based Compensation

The Company may issue common stock in lieu of cash to pay fees earned by the Company's directors at the respective director's election. There are no restrictions on shares issued in lieu of cash compensation since these payments in lieu of cash relate to fees earned for services performed. No such shares were issued during the years ended December 31, 2022, 2021 and 2020.

Note 12 — Accumulated Other Comprehensive Income (Loss)

The following table illustrates the changes in accumulated other comprehensive income (loss) as of and for the periods presented:

(In thousands)	Unrealized Gains (Losses) on Designated Derivative
Balance, December 31, 2019	$ (7,043)
Other comprehensive loss, before reclassifications	(40,614)
Amount of loss reclassified from accumulated other comprehensive income (loss)	7,999
Rebalancing of ownership percentage	(15)
Balance, December 31, 2020	(39,673)
Other comprehensive income, before reclassifications	14,322
Amount of loss reclassified from accumulated other comprehensive income (loss)	11,010
Balance, December 31, 2021	(14,341)
Other comprehensive income, before reclassifications	50,098
Amount of loss reclassified from accumulated other comprehensive income (loss)	1,153
Balance, December 31, 2022	**$ 36,910**

Accumulated other comprehensive income (loss) predominately relates to the unrealized gains (losses) on designated derivatives, however, as previously discussed in Note 7 — *Derivatives and Hedging*, a previously designated hedge was terminated and the termination costs are being amortized over the term of the hedged item. The unamortized portion of the terminated swap still remaining in accumulated other comprehensive (loss) income was $0.4 million as of December 31, 2021. The terminated swap was fully amortized within the year ending December 31, 2022.

Note 13 — Non-Controlling Interests

Non-controlling interests on the Company's consolidated balance sheet is comprised of the following:

	Balance as of December 31,	
(In thousands)	2022	2021
Series A Preferred Units held by third parties	$ 2,578	$ 2,578
Common OP Units held by third parties	3,584	3,758
Total Non-controlling Interests in the OP	6,162	6,336
Non-controlling interests in property owning subsidiaries	389	368
Total Non-controlling Interests	$ 6,551	$ 6,704

Non-Controlling Interests in the Operating Partnership

For preferred and common shares issued by the Company, the Company typically issues mirror securities with substantially equivalent economic rights between the Company and the OP. The securities held by the Company are eliminated in consolidation.

Series A Preferred OP Units

The Company is the sole general partner and holds substantially all of the Series A Preferred Units.

In September 2021, the Company partially funded the purchase of a MOB from an unaffiliated third party by causing the OP to issue 100,000 Series A Preferred Units, with a face value of $25.00 per unit, which were recorded at issuance at a then fair value of $2.6 million, or $25.78 per unit, to the unaffiliated third party.

A holder of Series A Preferred Units has the right to receive cash distributions equivalent to the cash distributions, if any, on the Company's Series A Preferred Stock. After holding the Series A Preferred Units for a period of one year, a holder of Series A Preferred Units has the right to redeem Series A Preferred Units for, at the option of the OP, the corresponding number of shares of the Company's Series A Preferred Stock, or the cash equivalent. The remaining rights of the limited partners in the

OP are limited, however, and do not include the ability to replace the general partner or to approve the sale, purchase or refinancing of the OP's assets. During the year ended December 31, 2022 and 2021, Series A Preferred Unit holders were paid distributions of $0.2 million and $46,000, respectively.

Common OP Units

The Company is the sole general partner and holds substantially all of the Common OP Units. As of December 31, 2022 and 2021, the Advisor held 90 Common OP Units, which represents a nominal percentage of the aggregate ownership in the OP.

In November 2014, the Company partially funded the purchase of an MOB from an unaffiliated third party by causing the OP to issue 405,908 Common OP Units, with an initial value of $10.1 million, or $25.00 per unit, to the unaffiliated third party.

A holder of Common OP Units has the right to receive cash distributions equivalent to the cash distributions, if any, on the Company's common stock in an amount retroactively adjusted to reflect the Stock Dividends, other stock dividends and other similar events. After holding the Common OP Units for a period of one year, a holder of Common OP Units has the right to redeem Common OP Units for, at the option of the OP, the corresponding number of shares of the Company's common stock, as retroactively adjusted for the Stock Dividends, other stock dividends and other similar events, or the cash equivalent. The remaining rights of the limited partners in the OP are limited, however, and do not include the ability to replace the general partner or to approve the sale, purchase or refinancing of the OP's assets. During the years ended December 31, 2022 and 2021, Common OP Unit non-controlling interest holders were not paid any cash distributions. During the year ended December 31, 2020, Common OP Unit non-controlling interest holders were paid distributions of $0.2 million.

Stock Dividends do not cause the OP to issue additional Common OP Units, rather, the redemption ratio to common stock is adjusted. The 405,908 Common OP Units outstanding as of December 31, 2022 would be redeemable for 467,498 shares of common stock, giving effect to adjustments for the impact of the Stock Dividends through January 2023.

Non-Controlling Interests in Property Owning Subsidiaries

The Company also has investment arrangements with other unaffiliated third parties whereby such investors receive an ownership interest in certain of the Company's property-owning subsidiaries and are entitled to receive a proportionate share of the net operating cash flow derived from the subsidiaries' property. Upon disposition of a property subject to non-controlling interest, the investor will receive a proportionate share of the net proceeds from the sale of the property. The investor has no recourse to any other assets of the Company. Due to the nature of the Company's involvement with these arrangements and the significance of its investment in relation to the investment of the third party, the Company has determined that it controls each entity in these arrangements and therefore the entities related to these arrangements are consolidated within the Company's financial statements. A non-controlling interest is recorded for the investor's ownership interest in the properties.

On November 4, 2020, the Company purchased all of the outstanding the membership interests in the joint venture that owns the UnityPoint Clinics in Muscatine, Iowa and Moline, Illinois for approximately $0.6 million, funded with cash on hand. Following this transaction, the properties were wholly owned by the Company and added to the borrowing base under the Credit Facility.

The following table summarizes the activity related to investment arrangements with unaffiliated third parties.

		Third Party Net Investment Amount	Non-Controlling Ownership Percentage	Net Real Estate Assets Subject to Investment Arrangement		Distributions		
Property Name		As of December 31,	As of December 31,	As of December 31,		Year Ended December 31,		
(Dollar amounts in thousands)	**Investment Date**	2022	2022	2022	2021	2022	2021	2020
Plaza Del Rio Medical Office Campus Portfolio[(1)]	May 2015	$ 389	2.5 %	$ 12,455	$ 12,925	$ —	$ —	$ —

(1) One property within the Plaza Del Rio Medical Office Campus Portfolio was mortgaged as part of the Multi-Property CMBS Loan. See *Note 4 - Mortgage Notes Payable* for additional information.

Note 14 — Net Loss Per Share

The following is a summary of the basic and diluted net loss per share computation for the years ended December 31, 2022, 2021 and 2020 and has been retroactively adjusted to reflect the stock dividends (see *Note 1* — *Organization* for additional details):

	Year Ended December 31,		
	2022	2021	2020
Net loss attributable to stockholders *(in thousands)*	$ (93,285)	$ (92,942)	$ (78,781)
Basic and diluted weighted-average shares outstanding (1)	106,428,154	106,354,994	106,119,937
Basic and diluted net loss per share (1)	$ (0.88)	$ (0.87)	$ (0.74)

(1) Retroactively adjusted for the effects of the stock dividends. See *Note 1* — *Organization* and Note 8 — Stockholder's Equity for additional information.

Diluted net loss per share assumes the conversion of all common stock equivalents into an equivalent number of shares of common stock, unless the effect is antidilutive. The Company considers unvested restricted shares, Common OP Units and Class B Units to be common share equivalents. The Company had the following common stock equivalents on a weighted-average basis that were excluded from the calculation of diluted net loss per share attributable to stockholders as their effect would have been antidilutive. The amounts in the table below have been retroactively adjusted to reflect the stock dividends (see *Note 1* — *Organization* for additional details):

	December 31,		
	2022	2021	2020
Unvested restricted shares (1)	141,364	214,520	288,965
Common OP Units (2)	467,602	467,602	467,602
Class B Units (3)	413,760	413,760	413,760
Total weighted average antidilutive common share equivalents	1,022,726	1,095,882	1,170,327

(1) Weighted average number of antidilutive unvested restricted shares outstanding for the periods presented. There were 97,343, 159,427 and 215,384 unvested restricted shares outstanding as of December 31, 2022, 2021 and 2020, respectively.

(2) Weighted average number of antidilutive Common OP Units presented as shares outstanding for the periods presented, at the current conversion rate as retroactively adjusted for the effects of the stock dividends. There were 405,998 Common OP Units outstanding as of December 31, 2022, 2021 and 2020.

(3) Weighted average number of antidilutive Class B Units presented as shares outstanding for the periods presented, at the current conversion rate as retroactively adjusted for the effects of the stock dividends. There were 359,250 Class B Units outstanding as of December 31, 2022, 2021 and 2020.

Note 15 — Segment Reporting

The disclosures below for the years ended December 31, 2022, 2021 and 2020, are presented for the Company's two reportable business segments for management and internal financial reporting purposes: MOBs and SHOPs. Prior to December 31, 2021, the Company had three reportable segments 1) medical office and outpatient buildings ("Former MOBs"), 2) triple net-leased healthcare properties ("Former NNN") and 3) SHOPs. Culminating in the year ended December 31, 2021, the Company has completed several strategic property divestitures from the Company's Former NNN segment and transitioned certain properties previously reported in the Company's Former NNN segment into the Company's SHOP segment. The remaining Former NNN properties are similar in nature, cash flows, and risk structure with the Former MOB segment and are managed operationally and reported collectively by the Company's management. Accordingly, in the fourth quarter of 2021, the Company reevaluated its segments and concluded that it had two reportable segments. The Company combined the properties in its Former NNN segment with the properties in its Former MOB segment for segment reporting. All prior periods presented in the tables below have been conformed to the presentation of the Company's new reportable segment structure.

The Company evaluates performance and makes resource allocations based on its two business segments. The medical office building segment primarily consists of MOBs leased to healthcare-related tenants under long-term leases, which may require such tenants to pay a pro rata share of property-related expenses as well as seniors housing properties, hospitals, inpatient rehabilitation facilities and skilled nursing facilities under long-term leases, under which tenants are generally responsible to directly pay property-related expenses. The SHOP segment consists of direct investments in seniors housing properties, primarily providing assisted living, independent living and memory care services, which are operated through engaging independent third-party operators.

Net Operating Income

The Company evaluates the performance of the combined properties in each segment based on net operating income ("NOI"). NOI is defined as total revenues from tenants, less property operating and maintenance expense. NOI excludes all other items of expense and income included in the financial statements in calculating net income (loss). The Company uses NOI to assess and compare property level performance and to make decisions concerning the operation of the properties. The Company believes that NOI is useful as a performance measure because, when compared across periods, NOI reflects the impact on operations from trends in occupancy rates, rental rates, operating expenses and acquisition activity on an unleveraged basis, providing perspective not immediately apparent from net income (loss).

NOI excludes certain components from net income (loss) in order to provide results that are more closely related to a property's results of operations. For example, interest expense is not necessarily linked to the operating performance of a real estate asset and is often incurred at the corporate level. In addition, depreciation and amortization, because of historical cost accounting and useful life estimates, may distort operating performance at the property level. NOI presented by the Company may not be comparable to NOI reported by other REITs that define NOI differently. The Company believes that in order to facilitate a clear understanding of the Company's operating results, NOI should be examined in conjunction with net income (loss) as presented in the Company's consolidated financial statements. NOI should not be considered as an alternative to net income (loss) as an indication of the Company's performance or to cash flows as a measure of the Company's liquidity or ability to pay distributions.

The following tables reconcile the segment activity to consolidated net loss for the years ended December 31, 2022, 2021 and 2020:

	Year Ended December 31, 2022		
(In thousands)	**Medical Office Buildings**	**Seniors Housing — Operating Properties**	**Consolidated**
Revenue from tenants	$ 131,444	$ 204,402	$ 335,846
Property operating and maintenance	35,945	177,499	213,444
NOI	$ 95,499	$ 26,903	122,402
Impairment charges			(27,630)
Operating fees to related parties			(25,353)
Acquisition and transaction related			(1,484)
General and administrative			(17,287)
Depreciation and amortization			(82,064)
Loss on sale of real estate investments			(125)
Interest expense			(51,740)
Interest and other income			27
Gain on non designated derivatives			3,834
Income tax expense			(201)
Net loss attributable to non-controlling interests			135
Allocation for preferred stock			(13,799)
Net loss attributable to common stockholders			**$ (93,285)**

HEALTHCARE TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

(In thousands)	Year Ended December 31, 2021 Medical Office Buildings	Year Ended December 31, 2021 Seniors Housing — Operating Properties	Year Ended December 31, 2021 Consolidated
Revenue from tenants	$ 122,867	$ 206,488	$ 329,355
Property operating and maintenance	34,480	171,333	205,813
NOI	88,387	35,155	123,542
Impairment charges			(40,951)
Operating fees to related parties			(24,206)
Acquisition and transaction related			(2,714)
General and administrative			(16,828)
Depreciation and amortization			(79,926)
Gain on sale of real estate investments			3,648
Interest expense			(47,900)
Interest and other income			61
Gain on non-designated derivatives			37
Income tax expense			(203)
Net loss attributable to non-controlling interests			260
Allocation for preferred stock			(7,762)
Net loss attributable to common stockholders			**$ (92,942)**

(In thousands)	Year Ended December 31, 2020 Medical Office Buildings	Year Ended December 31, 2020 Seniors Housing — Operating Properties	Year Ended December 31, 2020 Consolidated
Revenue from tenants	$ 119,824	$ 261,788	$ 381,612
Property operating and maintenance	32,812	210,736	243,548
NOI	87,012	51,052	138,064
Impairment charges			(36,446)
Operating fees to related parties			(23,922)
Acquisition and transaction related			(173)
General and administrative			(21,572)
Depreciation and amortization			(81,053)
Gain on sale of real estate investment			5,230
Interest expense			(51,519)
Interest and other income			44
Loss on non-designated derivatives			(102)
Income tax expense			(4,061)
Net income attributable to non-controlling interests			(303)
Allocation for preferred stock			(2,968)
Net loss attributable to common stockholders			**$ (78,781)**

The following table reconciles the segment activity to consolidated total assets as of the periods presented:

	December 31,	
(In thousands)	**2022**	**2021**
ASSETS		
Investments in real estate, net:		
Medical office and other healthcare-related buildings	$ 1,121,857	$ 1,149,241
Seniors housing — operating properties	856,440	900,686
Total investments in real estate, net	1,978,297	2,049,927
Cash and cash equivalents	53,654	59,738
Restricted cash	22,884	25,644
Derivative assets, at fair value	40,647	174
Straight-line rent receivable, net	25,276	23,858
Operating lease right-of-use asset	7,814	7,914
Prepaid expenses and other assets	34,554	32,564
Deferred costs, net	17,223	14,581
Total assets	**$ 2,180,349**	**$ 2,214,400**

The following table reconciles capital expenditures by reportable business segments, excluding corporate non-real estate expenditures, for the periods presented:

	Year Ended December 31,		
(In thousands)	**2022**	**2021**	**2020**
Medical office and other healthcare-related buildings	$ 10,542	$ 6,152	$ 8,561
Seniors housing — operating properties	17,451	12,919	12,833
Total capital expenditures	$ 27,993	$ 19,071	$ 21,394

Note 16 — Commitments and Contingencies

As of December 31, 2022, the Company has seven operating and six direct financing lease agreements related to certain acquisitions under leasehold interests arrangements. The seven operating leases have durations, including assumed renewals, ranging from 19.9 to 84.7 years, excluding an adjacent parking lot lease with a term of 1.8 years as of December 31, 2022. The Company did not enter into any additional ground leases during the year ended December 31, 2022. The classification of these leases were grandfathered in adoption of ASU 842, whereby they will continue to be classified as operating leases unless modified.

As of December 31, 2022, the Company's balance sheet included ROU assets and liabilities of $7.8 million and $8.1 million, respectively, which are included in operating lease right-of-use assets and operating lease liabilities, respectively, on the Company's consolidated balance sheet. In determining operating ROU assets and lease liabilities for the Company's existing operating leases upon the adoption of the lease guidance issued in 2019, as well as for new operating leases since adoption, the Company was required to estimate an appropriate incremental borrowing rate on a fully-collateralized basis for the terms of the leases. Because the terms of the Company's ground leases are significantly longer than the terms of borrowings available to the Company on a fully-collateralized basis, the Company's estimate of this rate required significant judgment. During the year ended December 31, 2021, the Company sold a property which included a prepaid ground lease. Upon disposition, the carrying value of the ROU asset was $5.7 million, and was recorded as a reduction of the gain on sale for that property.

The Company's ground operating leases have a weighted-average remaining lease term, including assumed renewals, of 34.1 years and a weighted-average discount rate of 7.36% as of December 31, 2022. For the years ended December 31, 2022, 2021 and 2020, the Company paid cash of $0.7 million, $0.8 million and $0.8 million for amounts included in the measurement of lease liabilities and recorded total rental expense from operating leases of $0.9 million, $0.9 million and $0.9 million, on a straight-line basis in accordance with the standard, during the years ended December 31, 2022, 2021 and 2020, respectively.

The lease expense is recorded in property operating expenses in the consolidated statements of operations and comprehensive loss.

	Future Base Rent Payments	
(In thousands)	**Operating Leases**	**Direct Financing Leases [1]**
2023	$ 645	$ 88
2024	632	90
2025	588	93
2026	599	95
2027	617	97
Thereafter	21,942	7,215
Total minimum lease payments	25,023	7,678
Less: amounts representing interest	(16,936)	(2,841)
Total present value of minimum lease payments	$ 8,087	$ 4,837

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(1) The Direct Finance Lease liability is included in Accounts Payable and accrued expenses on the balance sheet as of December 31, 2022. The Direct Financing lease asset is included as part of building and improvements as the land component was not required to be bifurcated under ASU 840.

Litigation and Regulatory Matters

In the ordinary course of business, the Company may become subject to litigation, claims and regulatory matters. There are no material legal or regulatory proceedings pending or known to be contemplated against the Company or its properties.

Environmental Matters

In connection with the ownership and operation of real estate, the Company may potentially be liable for costs and damages related to environmental matters. As of December 31, 2022, the Company had not been notified by any governmental authority of any non-compliance, liability or other claim, and is not aware of any other environmental condition that it believes will have a material adverse effect on the results of operations.

Note 17 — Subsequent Events

The Company has evaluated subsequent events through the filing of this Annual Report on Form 10-K and determined that there have not been any events that have occurred that would require adjustments to disclosures in the consolidated financial statements except the following disclosures:

Stock Dividend

On January 3, 2023, the Company declared a quarterly stock dividend of 0.014167 shares of the Company's common stock on each share of the Company's outstanding common stock. The stock dividend was payable on January 18, 2023 to holders of record of the Company's common stock at the close of business on January 13, 2023.

Swap Terminations

Subsequent to December 31, 2022, the Company terminated two LIBOR-based interest rate swap agreements with an aggregate notional amount of $50.0 million. The swaps were terminated in an asset position with a fair value of $2.0 million. The funds were received in February 2023. This amount will remain in AOCI and will amortize into net loss as a reduction to interest expense through March 2024.

Credit Facility Borrowings

Subsequent to December 31, 2022, the Company drew $20.0 million on its Revolving Credit Facility.

Acquisitions

Subsequent to December 31, 2022, the Company acquired four single-tenant MOB properties for a contract purchase price of $20.0 million, which was funded with borrowings from the Revolving Credit Facility.

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Healthcare Trust, Inc. and Subsidiaries

Real Estate and Accumulated Depreciation
Schedule III
December 31, 2022
(In thousands)

Property		State	Acquisition Date	Encumbrances at December 31, 2022	Initial Costs: Land	Initial Costs: Building and Improvements	Subsequent to Acquisition: Land	Subsequent to Acquisition: Building and Improvements	Gross Amount at December 31, 2022 [1] [2]	Accumulated Depreciation [3] [4]
Fresenius Medical Care - Winfield, AL	(5)	AL	5/10/2013	$ —	$ 152	$ 1,568	$ —	$ —	$ 1,720	$ 445
Adena Health Center - Jackson, OH	(5),(11)	OH	6/28/2013	—	242	4,494	—	(25)	4,711	1,100
Ouachita Community Hospital - West Monroe, LA	(5)	LA	7/12/2013	—	633	5,304	—	—	5,937	1,329
CareMeridian - Littleton, CO	(5)	CO	8/8/2013	—	976	8,900	—	111	9,987	3,037
Oak Lawn Medical Center - Oak Lawn, IL		IL	8/21/2013	5,343	835	7,217	—	25	8,077	1,994
Surgery Center of Temple - Temple, TX	(5)	TX	8/30/2013	—	225	5,208	—	432	5,865	1,379
Greenville Health System - Greenville, SC	(5), (9)	SC	10/10/2013	—	720	3,045	—	389	4,154	759
Stockbridge Family Medical - Stockbridge, GA		GA	2/21/2014	1,781	823	1,799	—	177	2,799	542
Arrowhead Medical Plaza II - Glendale, AZ		AZ	2/21/2014	7,540	—	9,758	—	2,076	11,834	3,261
Village Center Parkway - Stockbridge, GA		GA	2/21/2014	2,434	1,135	2,299	—	372	3,806	809
Creekside MOB - Douglasville, GA		GA	4/30/2014	8,814	2,709	5,320	—	791	8,820	1,858
Bowie Gateway Medical Center - Bowie, MD		MD	5/7/2014	9,153	983	10,321	—	334	11,638	2,489
Campus at Crooks & Auburn Building D - Rochester Mills, MI		MI	5/19/2014	3,627	640	4,166	—	145	4,951	1,120
Berwyn Medical Center - Berwyn, IL	(5)	IL	5/29/2014	—	1,305	7,559	—	—	8,864	1,693
Countryside Medical Arts - Safety Harbor, FL		FL	5/30/2014	6,983	915	7,663	—	74	8,652	1,862
St. Andrews Medical Park - Venice, FL		FL	5/30/2014	11,119	1,666	10,005	2	399	12,072	3,027
Campus at Crooks & Auburn Building C - Rochester Mills, MI		MI	6/3/2014	3,831	609	3,893	—	178	4,680	1,081
Laguna Professional Center - Elk Grove, CA		CA	7/15/2014	8,887	1,811	14,598	—	318	16,727	3,709
UC Davis MOB - Elk Grove, CA		CA	7/15/2014	8,136	1,138	7,242	—	294	8,674	1,951
Estate at Hyde Park - Tampa, FL	(7)	FL	7/31/2014	—	1,777	20,308	—	1,079	23,164	5,133
Autumn Ridge of Clarkston - Clarkston, MI	(7)	MI	8/12/2014	—	655	19,967	—	1,584	22,206	4,884
Sunnybrook of Burlington - Burlington, IA	(6)	IA	8/26/2014	—	518	16,739	—	429	17,686	4,438
Sunnybrook of Carroll - Carroll, IA	(6)	IA	8/26/2014	—	473	11,263	—	51	11,787	2,686
Prairie Hills at Cedar Rapids - Cedar Rapids, IA	(7)	IA	8/26/2014	—	195	8,595	—	182	8,972	2,096
Prairie Hills at Clinton - Clinton, IA	(6)	IA	8/26/2014	—	890	18,882	—	86	19,858	4,781
Prairie Hills at Des Moines - Des Moines, IA	(6)	IA	8/26/2014	—	647	13,745	—	57	14,449	3,593
Sunnybrook of Fairfield - Fairfield, IA	(5)	IA	8/26/2014	—	340	14,115	—	291	14,746	3,635
Sunnybrook of Ft. Madison - Ft. Madison, IA	(5),(11)	IA	8/26/2014	—	263	3,931	(54)	(1,177)	2,963	(21)
Prairie Hills at Independence - Independence, IA	(5)	IA	8/26/2014	—	473	10,600	—	179	11,252	2,519
Sunnybrook of Mt. Pleasant - Mt. Pleasant, IA	(5)	IA	8/26/2014	—	205	10,935	—	359	11,499	2,575
Sunnybrook of Muscatine - Muscatine, IA	(6)	IA	8/26/2014	—	302	13,840	—	172	14,314	3,364
Prairie Hills at Ottumwa - Ottumwa, IA	(5),(11)	IA	8/26/2014	—	538	9,186	(376)	(7,088)	2,260	47
Prairie Hills at Tipton - Tipton, IA	(5)	IA	8/26/2014	—	306	10,409	—	78	10,793	2,405

Healthcare Trust, Inc. and Subsidiaries

Real Estate and Accumulated Depreciation
Schedule III
December 31, 2022
(In thousands)

Property		State	Acquisition Date	Encumbrances at December 31, 2022	Initial Costs: Land	Initial Costs: Building and Improvements	Subsequent to Acquisition: Land	Subsequent to Acquisition: Building and Improvements	Gross Amount at December 31, 2022 (1) (2)	Accumulated Depreciation (3) (4)
Liberty Court - Dixon, IL	(5)	IL	8/29/2014	—	119	1,998	—	59	2,176	541
Lakeside Vista - Holland, MI	(6)	MI	8/29/2014	—	378	12,196	—	1,878	14,452	3,057
The Atrium - Rockford, IL	(5)	IL	8/29/2014	—	164	1,746	—	295	2,205	369
Arrowhead Medical Plaza I - Glendale, AZ		AZ	9/10/2014	4,571	—	6,447	—	1,410	7,857	1,886
Sunnybrook of Burlington - Land - Burlington, IA		MO	9/23/2014	—	620	—	—	—	620	—
Community Health MOB - Harrisburg, PA	(10)	PA	9/26/2014	5,424	—	6,170	—	—	6,170	1,315
Brady MOB - Harrisburg, PA	(10)	PA	9/26/2014	19,661	—	22,485	—	—	22,485	4,680
Landis Memorial - Harrisburg, PA	(5), (10)	PA	9/26/2014	—	—	32,484	—	—	32,484	6,782
FOC II - Mechanicsburg, PA	(10)	PA	9/26/2014	16,136	—	16,473	—	142	16,615	3,960
FOC Clinical - Mechanicsburg, PA	(10)	PA	9/26/2014	17,695	—	19,634	—	—	19,634	4,616
FOC I - Mechanicsburg, PA	(10)	PA	9/26/2014	8,204	—	8,923	—	368	9,291	2,308
Copper Springs Senior Living - Meridian, ID	(5),(11)	ID	9/29/2014	—	498	7,130	(14)	(2,052)	5,562	48
Addington Place of Brunswick - Brunswick, GA	(5)	GA	9/30/2014	—	1,509	14,402	—	489	16,400	3,747
Addington Place of Dublin - Dublin, GA	(5)	GA	9/30/2014	—	403	9,281	—	182	9,866	2,541
Allegro at Elizabethtown - Elizabethtown, KY	(5),(11)	KY	9/30/2014	—	317	7,290	(76)	(3,175)	4,356	13
Addington Place of Johns Creek - Johns Creek, GA	(7)	GA	9/30/2014	—	997	11,943	—	448	13,388	3,174
Allegro at Jupiter - Jupiter, FL	(6)	FL	9/30/2014	—	3,741	49,534	—	674	53,949	12,027
Addington Place of Lee's Summit - Lee's Summit, MO	(7)	MO	9/30/2014	—	2,734	25,008	—	391	28,133	6,149
Addington Place at Mills - Roswell, GA	(5)	GA	9/30/2014	—	1,000	8,611	—	2,575	12,186	3,310
Addington Place of College Harbour - St Petersburg, FL	(5)	FL	9/30/2014	—	3,791	8,684	—	2,117	14,592	3,430
Allegro at Stuart - Stuart, FL	(6)	FL	9/30/2014	—	5,018	60,575	—	969	66,562	15,029
Allegro at Tarpon - Tarpon Springs, FL	(7)	FL	9/30/2014	—	2,360	13,728	—	3,107	19,195	4,430
Addington Place of Titusville - Titusville, FL	(6)	FL	9/30/2014	—	1,379	13,976	—	720	16,075	4,034
Allegro at St. Petersburg - Land - St. Petersburg, FL		FL	9/30/2014	—	3,045	—	—	—	3,045	—
Gateway MOB - Clarksville, TN	(9)	TN	10/3/2014	17,560	—	16,367	—	1,011	17,378	4,335
Dyer Building - Dyer, IN	(5)	IN	10/17/2014	6,143	601	8,992	—	191	9,784	1,971
757 Building - Munster, IN	(5)	IN	10/17/2014	—	645	7,885	—	31	8,561	1,685
761 Building - Munster, IN		IN	10/17/2014	6,797	1,436	8,616	—	90	10,142	1,974
759 Building - Munster, IN		IN	10/17/2014	8,271	1,101	8,899	—	31	10,031	1,955
Schererville Building - Schererville, IN		IN	10/17/2014	—	1,260	935	—	88	2,283	381
Meadowbrook Senior Living - Agoura Hills, CA	(7)	CA	11/25/2014	—	8,821	48,682	—	2,485	59,988	11,659
Mount Vernon Medical Office Building - Mount Vernon, WA	(9)	WA	11/25/2014	15,797	—	18,519	—	3	18,522	4,095

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Property		**State**	**Acquisition Date**	**Encumbrances at December 31, 2022**	**Land**	**Building and Improvements**	**Land**	**Building and Improvements**	**Gross Amount at December 31, 2022 (1) (2)**	**Accumulated Depreciation (3) (4)**
Wellington at Hershey's Mill - West Chester, PA	(5)	PA	12/3/2014	—	8,531	80,734	—	5,364	94,629	18,754
Eye Specialty Group Medical Building - Memphis, TN		TN	12/5/2014	8,475	775	7,223	—	—	7,998	1,533
Addington Place of Alpharetta - Alpharetta, GA		GA	12/10/2014	—	1,604	26,069	—	462	28,135	6,296
Addington Place of Prairie Village - Prairie Village, KS	(7)	KS	12/10/2014	—	1,782	21,869	—	451	24,102	5,466
Bloom MOB - Harrisburg, PA	(10)	PA	12/15/2014	15,322	—	15,928	—	517	16,445	3,535
Medical Sciences Pavilion - Harrisburg, PA	(10)	PA	12/15/2014	18,272	—	22,309	—	—	22,309	4,569
Wood Glen Nursing and Rehab Center - West Chicago, IL	(5),(11)	IL	12/16/2014	—	1,896	16,107	(367)	(6,436)	11,200	228
Pinnacle Center - Southaven, MS		MS	12/16/2014	7,085	1,378	6,547	—	1,560	9,485	1,952
Paradise Valley Medical Plaza - Phoenix, AZ		AZ	12/29/2014	13,085	—	25,194	—	1,703	26,897	6,019
Victory Medical Center at Craig Ranch - McKinney, TX		TX	12/30/2014	—	1,596	40,475	—	1,199	43,270	8,801
Rivershores Healthcare & Rehab Centre - Marseilles, IL	(5),(11)	IL	12/31/2014	—	1,276	6,868	(247)	(2,837)	5,060	105
Morton Terrace Healthcare & Rehab Centre - Morton, IL	(5),(11)	IL	12/31/2014	—	709	5,649	(137)	(2,520)	3,701	77
Morton Villa Healthcare & Rehab Centre - Morton, IL	(5),(11)	IL	12/31/2014	—	645	3,687	(125)	(1,546)	2,661	57
The Heights Healthcare & Rehab Centre - Peoria Heights, IL	(5),(11)	IL	12/31/2014	—	214	7,952	(41)	(3,369)	4,756	127
Colonial Healthcare & Rehab Centre - Princeton, IL	(5),(11)	IL	12/31/2014	—	173	5,871	(33)	(2,622)	3,389	92
Capitol Healthcare & Rehab Centre - Springfield, IL	(5),(11)	IL	12/31/2014	—	603	21,699	(117)	(8,560)	13,625	311
Acuity Specialty Hospital - Mesa, AZ	(5)	AZ	1/14/2015	—	1,977	16,203	—	543	18,723	3,660
Acuity Specialty Hospital - Sun City, AZ	(11)	AZ	1/14/2015	—	2,329	15,795	(909)	(7,715)	9,500	658
Addington Place of Shoal Creek - Kansas City, MO	(7)	MO	2/2/2015	—	3,723	22,259	—	704	26,686	5,404
Aurora Healthcare Center - Green Bay, WI	(5)	WI	3/18/2015	—	1,130	1,678	—	—	2,808	420
Aurora Healthcare Center - Greenville, WI	(5)	WI	3/18/2015	—	259	958	—	—	1,217	256
Aurora Healthcare Center - Kiel, WI	(5)	WI	3/18/2015	—	676	2,214	—	—	2,890	494
Aurora Healthcare Center - Plymouth, WI		WI	3/18/2015	17,038	2,891	24,224	—	—	27,115	5,430
Aurora Healthcare Center - Waterford, WI	(5)	WI	3/18/2015	—	590	6,452	—	—	7,042	1,395
Aurora Healthcare Center - Wautoma, WI	(5)	WI	3/18/2015	—	1,955	4,361	—	—	6,316	983
Arbor View Assisted Living and Memory Care - Burlington, WI	(5)	WI	3/31/2015	—	367	7,815	—	71	8,253	2,080
Advanced Orthopedic Medical Center - Richmond, VA		VA	4/7/2015	15,390	1,523	19,229	—	493	21,245	3,970
Palm Valley Medical Plaza - Goodyear, AZ	(5)	AZ	4/7/2015	—	1,890	4,940	—	367	7,197	1,267
Physicians Plaza of Roane County - Harriman, TN		TN	4/27/2015	6,293	1,746	7,842	—	182	9,770	1,737
Adventist Health Lacey Medical Plaza - Hanford, CA		CA	4/29/2015	11,526	328	13,302	—	98	13,728	2,620
Medical Center I - Peoria, AZ		AZ	5/15/2015	3,085	807	1,115	—	1,545	3,467	1,190
Medical Center II - Peoria, AZ		AZ	5/15/2015	—	945	1,330	—	5,036	7,311	1,836
Commercial Center - Peoria, AZ		AZ	5/15/2015	3,254	959	1,110	—	710	2,779	571

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Medical Center III - Peoria, AZ		AZ	5/15/2015	2,137	673	1,651	—	1,047	3,371	932
Morrow Medical Center - Morrow, GA		GA	6/24/2015	4,334	1,155	5,674	—	493	7,322	1,451
Belmar Medical Building -Lakewood, CO		CO	6/29/2015	3,770	819	4,287	—	596	5,702	1,114
Addington Place - Northville, MI	(7)	MI	6/30/2015	—	440	14,975	—	1,007	16,422	3,403
Conroe Medical Arts and Surgery Center - Conroe, TX		TX	7/10/2015	13,221	1,965	12,198	—	744	14,907	2,842
Medical Center V - Peoria, AZ	(5)	AZ	7/10/2015	—	1,089	3,200	—	879	5,168	804
Legacy Medical Village - Plano, TX		TX	7/10/2015	23,662	3,755	31,097	—	1,430	36,282	6,634
Scripps Cedar Medical Center - Vista, CA		CA	8/6/2015	14,983	1,213	14,596	—	1,673	17,482	2,981
Ramsey Woods Memory Care - Cudahy, WI	(5)	WI	10/2/2015	—	930	4,990	—	122	6,042	1,188
East Coast Square West - Cedar Point, NC		NC	10/15/2015	5,254	1,535	4,803	—	6	6,344	962
East Coast Square North - Morehead City, NC		NC	10/15/2015	3,933	899	4,761	—	144	5,804	917
Eastside Cancer Institute - Greenville, SC	(5)	SC	10/22/2015	—	1,498	6,637	—	639	8,774	1,379
Sassafras Medical Building - Erie, PA	(11)	PA	10/22/2015	2,315	928	4,629	(364)	(2,333)	2,860	—
Sky Lakes Klamath Medical Clinic - Klamath Falls, OR	(5)	OR	10/22/2015	—	433	2,623	—	—	3,056	508
Courtyard Fountains - Gresham, OR	(5)	OR	12/1/2015	—	2,476	50,601	—	2,255	55,332	10,764
Presence Healing Arts Pavilion - New Lenox, IL	(9)	IL	12/4/2015	5,966	—	6,768	—	76	6,844	1,383
Mainland Medical Arts Pavilion - Texas City, TX		TX	12/4/2015	6,174	320	7,923	—	321	8,564	1,756
Renaissance on Peachtree - Atlanta, GA	(6)	GA	12/15/2015	—	4,535	68,895	—	3,246	76,676	13,856
Fox Ridge Senior Living at Bryant - Bryant, AR	(11)	AR	12/29/2015	6,817	1,687	12,936	(557)	(6,326)	7,740	40
Fox Ridge Senior Living at Chenal - Little Rock, AR		AR	12/29/2015	15,639	6,896	20,579	—	364	27,839	4,917
Fox Ridge North Little Rock - North Little Rock, AR	(9)	AR	12/29/2015	9,704	—	19,265	—	263	19,528	4,211
High Desert Medical Group Medical Office Building - Lancaster, CA		CA	4/7/2017	7,480	1,459	9,300	—	—	10,759	1,749
Northside Hospital - Canton, GA		GA	7/13/2017	8,014	3,408	8,191	—	438	12,037	1,249
West Michigan Surgery Center - Big Rapids, MI	(5)	MI	8/18/2017	—	258	5,677	—	—	5,935	803
Camellia Walk Assisted Living and Memory Care - Evans, GA	(6)	GA	9/28/2017	—	1,854	17,372	—	1,232	20,458	3,426
Cedarhurst of Collinsville - Collinsville, IL	(5), (8)	IL	12/22/2017	—	1,228	8,652	—	264	10,144	1,393
Arcadian Cove Assisted Living - Richmond, KY	(5), (8), (11)	KY	12/22/2017	—	481	3,923	(425)	(3,536)	443	14
Beaumont Medical Center - Warren, MI	(5), (8)	MI	12/22/2017	—	1,078	9,525	—	19	10,622	1,328
DaVita Dialysis - Hudson, FL	(5), (8)	FL	12/22/2017	—	226	1,979	—	121	2,326	273
DaVita Bay Breeze Dialysis Center - Largo, FL	(5), (8)	FL	12/22/2017	—	399	896	—	48	1,343	150
Greenfield Medical Plaza - Gilbert, AZ	(5), (8)	AZ	12/22/2017	—	1,476	4,144	—	277	5,897	633
RAI Care Center - Clearwater, FL	(5), (8)	FL	12/22/2017	—	624	3,156	—	—	3,780	420

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Illinois CancerCare - Galesburg, IL	(8)	IL	12/22/2017	2,323	290	2,457	—	—	2,747	368
UnityPoint Clinic - Muscatine, IA	(5), (8)	IA	12/22/2017	—	570	4,541	—	34	5,145	649
Lee Memorial Health System Outpatient Center - Ft. Myers	(5), (8)	FL	12/22/2017	—	439	4,374	—	710	5,523	688
Decatur Medical Office Building - Decatur, GA	(5), (8), (9)	GA	12/22/2017	—	695	3,273	—	261	4,229	507
Madison Medical Plaza - Joliet, IL	(8), (9)	IL	12/22/2017	12,477	—	16,855	—	37	16,892	2,111
Woodlake Office Center - Woodbury, MN	(8)	MN	12/22/2017	8,638	1,017	10,688	—	1,297	13,002	1,652
Rockwall Medical Plaza - Rockwall, TX	(5), (8)	MN	12/22/2017	—	1,097	4,582	—	214	5,893	709
MetroHealth Buckeye Health Center - Cleveland, OH	(5), (8)	OH	12/22/2017	—	389	4,367	—	255	5,011	648
UnityPoint Clinic - Moline, IL	(5), (8)	IL	12/22/2017	—	396	2,880	—	5	3,281	411
VA Outpatient Clinic - Galesberg, IL	(5), (8)	IL	12/22/2017	—	359	1,852	—	—	2,211	302
Philip Professional Center - Lawrenceville, GA		GA	12/22/2017	5,780	1,285	6,714	—	264	8,263	1,045
Texas Children’s Hospital - Houston, TX		TX	3/5/2018	4,590	1,368	4,428	—	116	5,912	790
Florida Medical Heartcare - Tampa, FL	(5)	FL	3/29/2018	—	586	1,902	—	—	2,488	322
Florida Medical Somerset - Tampa, FL	(5)	FL	3/29/2018	—	61	1,366	—	—	1,427	204
Florida Medical Tampa Palms - Tampa, FL	(5)	FL	3/29/2018	—	141	1,402	—	—	1,543	215
Florida Medical Wesley Chapel - Tampa, FL	(5)	FL	3/29/2018	—	485	1,987	—	—	2,472	345
Aurora Health Center - Milwaukee, WI		WI	4/17/2018	3,984	1,014	4,041	—	224	5,279	788
Vascular Surgery Associates - Tallahassee, FL	(5)	FL	5/11/2018	—	902	5,383	—	—	6,285	856
Glendale MOB - Farmington Hills, MI	(5)	MI	8/28/2018	—	504	12,332	—	—	12,836	1,542
Crittenton Washington MOB - Washington Township, MI	(5)	MI	9/12/2018	—	640	4,090	—	283	5,013	592
Crittenton Sterling Heights MOB - Sterling Heights, MI	(5)	MI	9/12/2018	—	1,398	2,695	—	258	4,351	492
Advocate Aurora MOB - Elkhorn, WI		WI	9/24/2018	7,184	181	9,452	—	—	9,633	1,280
Pulmonary & Critical Care Med - Lemoyne, PA		PA	11/13/2018	4,271	621	3,805	—	—	4,426	661
Dignity Emerus Blue Diamond - Las Vegas, NV		NV	11/15/2018	13,966	2,182	16,594	—	—	18,776	1,864
Dignity Emerus Craig Rd - North Las Vegas, NV		NV	11/15/2018	18,780	3,807	22,803	—	—	26,610	2,584
Greenfield MOB - Greenfield, WI		WI	1/17/2019	7,526	1,552	8,333	—	246	10,131	1,199
Milwaukee MOB - South Milwaukee, WI		WI	1/17/2019	4,136	410	5,041	—	—	5,451	544
St. Francis WI MOB - St. Francis, WI		WI	1/17/2019	9,088	865	11,355	—	251	12,471	1,353
Lancaster Medical Arts MOB - Lancaster, PA	(5)	PA	6/20/2019	—	85	4,417	—	—	4,502	569
Women’s Healthcare Group MOB - York, PA	(5)	PA	6/21/2019	—	624	2,161	—	—	2,785	403
Pioneer Spine Sports - Northampton, MA	(5)	MA	7/22/2019	—	435	1,858	—	—	2,293	192

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Pioneer Spine Sport - Springfield, MA	(5)	MA	7/22/2019	—	333	2,530	—	—	2,863	252
Pioneer Spine Sports - West Springfield, MA	(5)	MA	7/22/2019	—	374	4,295	—	—	4,669	417
Felicita Vida - Escondido, CA	(5)	CA	9/3/2019	—	1,677	28,953	—	396	31,026	2,785
Cedarhurst of Edwardsville - Edwardsville, IL	(5)	IL	1/10/2020	—	321	9,032	—	56	9,409	805
UMPC Sir Thomas Court - Harrisburg, PA	(5)	PA	1/17/2020	—	745	6,272	—	—	7,017	498
UMPC Fisher Road - Mechanicsburg, PA	(5)	PA	1/17/2020	—	747	3,844	—	—	4,591	333
Swedish American MOB - Roscoe, IL	(5)	IL	1/22/2020	—	599	5,862	—	—	6,461	588
Cedarhurst of Sparta - Sparta, IL	(5)	IL	1/31/2020	—	381	13,807	—	63	14,251	1,225
UMPC Chambers Hill - Harrisburg, PA	(5)	PA	2/3/2020	—	498	4,238	—	—	4,736	329
Cedarhurst of Shiloh - Shiloh, IL		IL	3/13/2020	13,071	376	28,299	—	65	28,740	2,085
Bayshore Naples Memory Care - Naples, FL	(5)	FL	3/20/2020	—	3,231	17,112	—	54	20,397	1,306
Circleville MOB - Circleville, OH		OH	12/7/2020	3,556	765	4,011	—	71	4,847	243
Kingwood Executive Center - Kingwood, TX	(5)	TX	1/6/2021	—	1,522	4,166	—	34	5,722	251
OrthoOne Hilliard - Hilliard, OH	(5)	OH	5/28/2021	—	760	3,118	—	77	3,955	206
South Douglas MOB - Midwest City, OK	(5)	OK	6/23/2021	—	628	3,863	—	—	4,491	193
Fort Wayne Opthomology Engle - Fort Wayne, IN		IN	6/29/2021	3,923	516	6,124	—	—	6,640	260
Fort Wayne Opthomology Dupont - Fort Wayne, IN		IN	6/29/2021	1,924	597	2,653	—	—	3,250	138
St. Peters Albany 2 Palisades - Albany, NY	(5)	NY	6/30/2021	—	516	4,342	—	—	4,858	202
Hefner Pointe Medical Center - Oklahoma City, OK		OK	6/30/2021	3,831	678	4,819	—	31	5,528	222
St. Peters Troy 2 New Hampshire - Troy, NY	(5)	NY	6/30/2021	—	330	2,444	—	19	2,793	113
St Peters - Albany, NY - 4 Palisades	(5)	NY	7/30/2021	—	542	2,416	—	—	2,958	113
St Peters - Albany, NY - 5 Palisades	(5)	NY	7/30/2021	—	593	5,359	—	—	5,952	221
St Lukes Heart Vascular Center - East Stroudsburg	(5)	PA	8/31/2021	—	363	3,224	—	—	3,587	113
Metropolitan Eye Lakeshore Surgery - St. Clair, MI	(5)	MI	8/31/2021	—	203	4,632	—	—	4,835	164
Naidu Clinic - Odessa, TX	(5)	TX	9/1/2021	—	730	2,409	—	—	3,139	93
Belpre V Cancer Center - Belpre, OH	(5)	OH	9/30/2021	—	1,153	63,894	—	—	65,047	2,072
Center for Advanced Dermatology - Lakewood, CO	(5)	CO	12/1/2021	—	1,034	1,874	—	—	2,908	59
Florida Medical Clinic - Tampa, FL	(5)	FL	12/1/2021	—	1,104	1,137	—	124	2,365	44
Pensacola Nephrology MOB - Pensacola, FL	(5)	FL	12/29/2021	—	1,578	5,123	—	—	6,701	135
Millennium Eye Care - Freehold, NJ	(5)	NJ	5/26/2022	—	635	6,014	—	—	6,649	125
Atlanta Gastroenterology Associates - Lawrenceville, GA	(5)	GA	6/29/2022	—	2,639	2,263	—	—	4,902	24
Bone and Joint Specialists - Merrillville, IN	(5)	IN	6/29/2022	—	1,014	2,499	—	—	3,513	29

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Eastern Carolina ENT - Greenville, NC	(5)	NC	12/21/2022	—	664	5,826	—	—	6,490	—
Fannie Mae Master Credit Facilities (6)(7)				352,047						
Total				**$ 937,230**	**$210,294**	**$ 2,075,880**	**$ (3,840)**	**$ 13,253**	**$ 2,295,587**	**$ 397,982**

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(1) Acquired intangible lease assets allocated to individual properties in the amount of $292.0 million are not reflected in the table above.

(2) The tax basis of aggregate land, buildings and improvements as of December 31, 2022 is $2.1 billion.

(3) The accumulated depreciation column excludes $211.3 million of accumulated amortization associated with acquired intangible lease assets.

(4) Depreciation is computed using the straight-line method over the estimated useful lives of up to 40 years for buildings, 15 years for land improvements and 5 years for fixtures.

(5) These unencumbered properties were part of the borrowing base of the Credit Facility, which had $180.0 million of outstanding borrowings as of December 31, 2022. The equity interests and related rights in the Company's wholly owned subsidiaries that directly own or lease the real estate assets comprising the borrowing base have been pledged for the benefit of the lenders thereunder (see Note 5 — *Credit Facilities, Net* for additional details).

(6) These properties collateralize the Capital One Facility, which had $210.5 million of outstanding borrowings as of December 31, 2022.

(7) These properties collateralize the KeyBank Facility, which had $141.6 million of outstanding borrowings as of December 31, 2022.

(8) These properties were acquired from American Realty Capital Healthcare Trust III, Inc. in 2017, which was a related party to the Company's Advisor.

(9) Some or all of the land underlying this property is subject to an operating land lease. The related right-of-use assets are separately recorded. See Note 16 — *Commitments and Contingencies* for additional information.

(10) The building amount represents combined direct financing lease for the total asset as the land element was not required to be bifurcated under ASU 840. See Note 16 — *Commitments and Contingencies* for additional information.

(11) The property has been impaired as of December 31, 2022. See Note 3 — *Real Estate Investments, Net "Assets Held for Use and Related Impairments"* for additional information.

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A summary of activity for real estate and accumulated depreciation for the years ended December 31, 2022, 2021 and 2020:

	December 31,		
(In thousands)	2022	2021	2020
Real estate investments, at cost [1]:			
Balance at beginning of year	$ 2,345,708	$ 2,211,451	$ 2,296,627
Additions-acquisitions and capital expenditures	44,926	98,364	80,980
Disposals, impairments and reclasses [2]	(95,047)	35,893	(166,156)
Balance at end of the year	$ 2,295,587	$ 2,345,708	$ 2,211,451
Accumulated depreciation [1]:			
Balance at beginning of year	$ 328,095	$ 260,399	$ 226,167
Depreciation expense	63,143	63,393	64,731
Disposals, impairments and reclasses [2]	6,744	4,303	(30,499)
Balance at end of the year	$ 397,982	$ 328,095	$ 260,399

(1) Acquired intangible lease assets and related accumulated depreciation are not reflected in the table above.

(2) Includes amounts relating to dispositions and impairment charges on assets for the years ended December 31, 2022, 2021 and 2020. Amounts for the year ended December 31, 2020 include the reclassification of approximately $49.4 million and $8.7 million of assets and accumulated depreciation, respectively, that were previously classified as held-for-sale as of December 31, 2019 to real estate investments, at cost and accumulated depreciation during the year ended December 31, 2020. For additional information on this reclassification during the year ended December 31, 2020, see *Note 3 — Real Estate Investments*.