



2020 ANNUAL REPORT

Resilient.  
Focused.  
Ready to Thrive.

What  
happens  
inside our  
buildings  
matters  
most



*Fellow Stockholders:*

In 2020, Sabra started the year stronger than ever with a restructured portfolio, lower leverage and improved credit metrics. We had built a solid foundation and were poised to grow.

As with many industries worldwide, the COVID-19 pandemic has had a significant impact on our tenants and operators, with most suffering substantial occupancy declines and increased operating expenses. More critically, the pandemic has had a devastating impact on patients, residents and families, in addition to the stress and danger faced by the frontline workforce. Nevertheless, our operators are weathering the storm admirably and have shown tremendous resilience, with much appreciation for the significant assistance provided by the federal government. Importantly, our judicious approach to capital allocation, which resulted in ample liquidity and a strong balance sheet, and our strategy to drive long-term value for our stockholders by aligning ourselves with leading providers who share our commitment to quality care have proven sound during our industry's most challenging time.

As we always say, what happens inside our buildings matters most. We are grateful to the staff who continue to demonstrate an unwavering dedication to the patients and residents in our facilities. We recognize, admire and thank all of them for the remarkable compassion and skill they've shown over the past year.



# Resiliency in the Face of Adversity



Although our portfolio has felt the effects of the pandemic, our tenants remain operationally strong. We've worked hard to support our operators so they can focus on the well-being of their staff and on caring for patients and residents. We increased our level and frequency of dialogue with our tenants to gauge how they were coping with challenges and identify how we can best support them. We also shared best practices, information on the pandemic and the latest safety protocols. We hosted a number of webinars including an educational webinar with Dr. Morgan J. Katz, assistant professor of medicine at Johns Hopkins, and a webinar with the accounting firm BKD to provide more detailed information on how to properly use and account for the different government relief packages.

The Medicare Patient-Driven Payment Model (PDPM) allowed our operators to provide care to a broader array of patients, including COVID patients. We believe the favorable impact realized by our operators from PDPM put our portfolio in a stronger position going into the pandemic. Our tenants' sound foundations also contributed to their ability to successfully manage challenges posed by the pandemic, which has resulted in minimal disruption in rent collection.

Through March 31, 2021, we collected 99.9 percent of our forecasted rents. While we have agreed to short-term, temporary pandemic-related rent deferrals for a small number of our tenants, we have not granted any permanent pandemic-related rent concessions since the beginning of



the pandemic. Total pandemic-related deferrals through March 31, 2021 equal \$0.7 million (0.1 percent of annualized cash NOI).

The federal government also approved several relief packages that have benefited our operators, including the Provider Relief Fund; suspension of Medicare sequestration and waiver of the three-day hospital stay requirement, thereby allowing our operators to care for COVID patients without discharging patients to hospitals; an increase to Federal Medical Assistance Percentages; accelerated and advance Medicare payments; an employer payroll tax delay; and Paycheck Protection Program loans.

Occupancy throughout our Skilled and Senior Housing portfolios has been materially impacted and will take a substantial amount of time to recover. That said, occupancy has been improving in the Skilled portfolio and appears to have bottomed out in Senior Housing. With the rollout of vaccines, many facilities have moved toward a

more normalized environment. This normalization will improve margins, and we look forward to occupancy growth over the coming months. Additionally, our portfolio is largely needs-based, and we therefore believe there are meaningful demographic tailwinds that will aid our tenants and operators in their recovery from the pandemic and limit the depth and duration of the pandemic's impact on our business.



**Strong.  
Resilient.  
Growing.**

ENTERPRISE VALUE

**\$6.4B**

NOI CAGR SINCE Q1 2011

**20.5%**

Our commitment to executing our strategy remains steadfast. Despite the many challenges we faced, our team and board remained focused on the fundamentals—balanced capital structure, appropriate leverage, favorable credit metrics and long-term value for our stockholders.



## Diverse Portfolio, Positioned to Perform

We continued to work diligently to fine-tune our portfolio and identify investments that offer long-term value to our stockholders and strong yields. Our full-year investment activity for 2020 totaled \$168.4 million at a blended initial cash yield of 7.97 percent. Our acquisitions pipeline remains active, and we look forward to executing on investment activity buoyed by our significant liquidity and a balance sheet that is better positioned than at any time in our 10-year history.

LIQUIDITY

**\$1.1B**

MAX RELATIONSHIP CONCENTRATION

**9%**

AS OF 12.31.2020

## Robust Balance Sheet

We entered 2020 with the expectation of dividend AFFO coverage of 100 percent, above our historical target of 80 percent. Given the initial uncertainty of the financial impact of COVID, we acted swiftly to reset the dividend. This reset allowed us to provide our stockholders with a well-covered, sustainable dividend while also strengthening our liquidity and continues to provide a cushion as we manage through the ongoing impact of the pandemic.

We continued to enhance our balance sheet by lowering our cost of debt and taking the necessary steps to maintain our leverage goals. Going forward, as our tenants and operators benefit from the recovery, we expect our results to improve, which will organically lower our leverage. This will give us the optionality of maintaining lower than historical leverage or providing more cushion to lever up with investments while still staying below our target leverage ratio.

Due to our ability and the ability of our operators to successfully manage the challenges posed by the pandemic in 2020, Fitch Ratings subsequently revised its rating outlook for Sabra in January 2021 to Stable from Negative, and both Fitch and S&P Global Ratings affirmed their rating for Sabra's debt as BBB-. These strong ratings will enhance our ability to grow in 2021.

Women composed  
55 percent of our  
workforce and  
65 percent of our  
management-level  
leadership roles.

AS OF DECEMBER 31, 2020

**Good for the Planet.  
Good for Our Stakeholders.**

We endeavor to operate efficiently, sustainably and with our stakeholders' best interest in mind – tenants, team members, investors and the communities in which we own assets. In 2020, we created a sustainability working group that engaged both internal and external resources to identify and assess our business's most relevant environmental, social and governance (ESG) factors.

Because our success is closely tied to how responsibly we run our business, our Board of Directors oversees how ESG factors may impact the long-term interests of our stockholders and other stakeholders, and ensures that Sabra's business strategy aligns with our values, culture, ethics and corporate responsibility. As the CEO, I am responsible for the execution of our ESG initiatives and am looking forward to publishing our inaugural ESG report in 2021.

We added two new board members, Ann Kono and Clifton Porter, during the fourth quarter of 2020 and a third new board member, Katie Cusack, in January 2021. These members add fresh skill sets to our already strong and independent board, including policy, finance and ESG expertise. Our diverse board is a competitive advantage for Sabra, and I am grateful for its dedication and guidance.



# Ready to Thrive



I have long believed that this industry is a critical part of the patient care continuum and am gladdened to see a developing consensus on this belief among policymakers. This recognition will lead to constructive dialogue that will benefit all constituents, most importantly patients and residents and the caregivers and frontline workers who serve them.

We continue to focus on maintaining a strong balance sheet with ample liquidity and a well-covered dividend as we pursue accretive growth opportunities. We believe that in the near term these opportunities will be primarily in the skilled nursing, behavioral and addiction asset classes.

I have never been prouder of my team. They seamlessly transitioned to a work-from-home environment and have worked tirelessly to support our operators and each other during these challenging times. I remain humbled by the community of operators we have the privilege to work with and the heroes who care for the residents and patients in our buildings.

Thank you to our stockholders for entrusting us with your capital; you can count on Sabra to continue to thrive. Our consistent strategy and deliberate execution, along with our passion for the industry, have been the secret to Sabra's long-term success. The coming year will be no exception.

Best,

A handwritten signature in black ink that reads "Rick Matros". The signature is fluid and cursive.

Rick Matros  
Chairman of the Board, President and Chief  
Executive Officer

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2020

OR

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

Commission file number 001-34950

**SABRA HEALTH CARE REIT, INC.**

(Exact Name of Registrant as Specified in Its Charter)

Maryland  
(State of Incorporation)

27-2560479  
(I.R.S. Employer Identification No.)

18500 Von Karman Avenue, Suite 550  
Irvine, CA 92612  
(888) 393-8248  
(Address, zip code and telephone number of Registrant)

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

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, \$0.01 par value	SBRA	The Nasdaq Stock Market LLC

**Securities registered pursuant to Section 12(g) of the Act: None**

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$2.9 billion

As of February 17, 2021, there were 210,719,844 shares of the registrant's \$0.01 par value Common Stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Proxy Statement for the registrant's 2021 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2020, are incorporated by reference in Part III herein.



# SABRA HEALTH CARE REIT, INC. AND SUBSIDIARIES

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References throughout this document to “Sabra,” “we,” “our,” “ours” and “us” refer to Sabra Health Care REIT, Inc. and its direct and indirect consolidated subsidiaries and not any other person.

### **STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

*Certain statements in this Annual Report on Form 10-K (this “10-K”) contain “forward-looking” information as that term is defined by the Private Securities Litigation Reform Act of 1995. Any statements that do not relate to historical or current facts or matters are forward-looking statements. Examples of forward-looking statements include all statements regarding our expected future financial position, results of operations, cash flows, liquidity, financing plans, business strategy, tenants, the expected amounts and timing of dividends and other distributions, projected expenses and capital expenditures, competitive position, growth opportunities, potential investments, potential dispositions, plans and objectives for future operations, and compliance with and changes in governmental regulations. You can identify some of the forward-looking statements by the use of forward-looking words such as “anticipate,” “believe,” “plan,” “estimate,” “expect,” “intend,” “should,” “may” and other similar expressions, although not all forward-looking statements contain these identifying words.*

*Our actual results may differ materially from those projected or contemplated by our forward-looking statements as a result of various factors, including, among others, the following:*

- the ongoing COVID-19 pandemic and measures intended to prevent its spread, including the impact on our tenants, operators and Senior Housing - Managed communities (as defined below);*
- our dependence on the operating success of our tenants;*
- the potential variability of our reported rental and related revenues following the adoption of Topic 842 (as defined below) on January 1, 2019;*
- operational risks with respect to our Senior Housing - Managed communities;*
- the effect of our tenants declaring bankruptcy or becoming insolvent;*
- our ability to find replacement tenants and the impact of unforeseen costs in acquiring new properties;*
- the impact of litigation and rising insurance costs on the business of our tenants;*
- the possibility that Sabra may not acquire the remaining majority interest in the Enlivant Joint Venture (as defined below);*
- risks associated with our investment in the Enlivant Joint Venture;*
- changes in healthcare regulation and political or economic conditions;*
- the impact of required regulatory approvals of transfers of healthcare properties;*
- competitive conditions in our industry;*
- our concentration in the healthcare property sector, particularly in skilled nursing/transitional care facilities and senior housing communities, which makes our profitability more vulnerable to a downturn in a specific sector than if we were investing in multiple industries;*
- the significant amount of and our ability to service our indebtedness;*
- covenants in our debt agreements that may restrict our ability to pay dividends, make investments, incur additional indebtedness and refinance indebtedness on favorable terms;*
- increases in market interest rates;*
- the phasing out of the London Interbank Offered Rate (“LIBOR”) benchmark beginning after 2021;*
- our ability to raise capital through equity and debt financings;*
- changes in foreign currency exchange rates;*
- the relatively illiquid nature of real estate investments;*
- the loss of key management personnel;*
- uninsured or underinsured losses affecting our properties and the possibility of environmental compliance costs and liabilities;*
- the impact of a failure or security breach of information technology in our operations;*
- our ability to maintain our status as a real estate investment trust (“REIT”) under the federal tax laws;*
- changes in tax laws and regulations affecting REITs (including the potential effects of the Tax Cuts and Jobs Act);*
- compliance with REIT requirements and certain tax and tax regulatory matters related to our status as a REIT; and*
- the ownership limits and takeover defenses in our governing documents and under Maryland law, which may restrict change of control or business combination opportunities.*

*We urge you to carefully consider these risks and review the additional disclosures we make concerning risks and other factors that may materially affect the outcome of our forward-looking statements and our future business and operating results, including those made in Part I, Item 1A, “Risk Factors” in this 10-K, as such risk factors may be amended, supplemented or superseded from time to time by other reports we file with the Securities and Exchange Commission (“SEC”), including subsequent Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. We caution you that any forward-looking*

*statements made in this 10-K are not guarantees of future performance, events or results, and you should not place undue reliance on these forward-looking statements, which speak only as of the date of this report. We do not intend, and we undertake no obligation, to update any forward-looking information to reflect events or circumstances after the date of this 10-K or to reflect the occurrence of unanticipated events, unless required by law to do so.*

### **TENANT AND BORROWER INFORMATION**

*This 10-K includes information regarding certain of our tenants that lease properties from us and our borrowers, most of which are not subject to SEC reporting requirements. The information related to our tenants and borrowers that is provided in this 10-K has been provided by, or derived from information provided by, such tenants and borrowers. We have not independently verified this information. We have no reason to believe that such information is inaccurate in any material respect. We are providing this data for informational purposes only.*

## PART I

### ITEM 1. BUSINESS

#### Overview

We operate as a self-administered, self-managed REIT that, through our subsidiaries, owns and invests in real estate serving the healthcare industry. Our primary business consists of acquiring, financing and owning real estate property to be leased to third party tenants in the healthcare sector. We primarily generate revenues by leasing properties to tenants and owning properties operated by third-party property managers throughout the United States (“U.S.”) and Canada.

Our investment portfolio is primarily comprised of skilled nursing/transitional care facilities, senior housing communities (“Senior Housing - Leased”) and specialty hospitals and other facilities, in each case leased to third-party operators; senior housing communities operated by third-party property managers pursuant to property management agreements (“Senior Housing - Managed”); investments in loans receivable; preferred equity investments; and a 49% equity interest in a joint venture with affiliates of Enlivant and TPG Real Estate, the real estate platform of TPG, that owns senior housing communities managed by Enlivant (the “Enlivant Joint Venture”).

We expect to grow our investment portfolio while diversifying our portfolio by tenant, facility type and geography within the healthcare sector. We plan to achieve these objectives primarily through making investments directly or indirectly in healthcare real estate, including the development of purpose-built healthcare facilities with select developers. We also intend to achieve our objective of diversifying our portfolio by tenant and facility type through select asset sales and other arrangements with our tenants.

We employ a disciplined, opportunistic approach in our healthcare real estate investment strategy by investing in assets that provide attractive opportunities for dividend growth and appreciation of asset values, while maintaining balance sheet strength and liquidity, thereby creating long-term stockholder value.

We commenced operations on November 15, 2010, and we elected to be treated as a REIT with the filing of our U.S. federal income tax return for the taxable year beginning January 1, 2011. We believe that we have been organized and have operated, and we intend to continue to operate, in a manner to qualify as a REIT.

Our principal executive offices are located at 18500 Von Karman Avenue, Suite 550, Irvine, CA 92612, and our telephone number is (888) 393-8248. We maintain a website at [www.sabrahealth.com](http://www.sabrahealth.com). Sabra Health Care REIT, Inc. files reports with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We make such filings available free of charge on our website as soon as reasonably practicable after such information has been filed or furnished with the SEC.

#### Our Industry

We operate as a REIT that holds investments in income-producing healthcare facilities located in the U.S. and Canada. We invest primarily in the U.S. nursing home industry, including skilled nursing and transitional care facilities, the U.S. and Canadian senior housing industry, which includes independent living, assisted living, memory care and continuing care retirement communities and select behavioral, acute care and other hospitals. The primary growth drivers of these industries – an aging population and longer life expectancies – present attractive investment opportunities for us. According to the 2017 National Population Projections published by the U.S. Census Bureau, the number of Americans age 75 and older is projected to grow at a compounded annual growth rate of 3.7% between 2016 and 2025. Further, life expectancy is expected to increase to 81.7 years in 2030 from 79.7 years in 2017. In addition, the National Investment Center for Seniors Housing and Care, a leading industry data provider, estimates that as of the fourth quarter of 2019, only 10.3% of nursing home and senior housing properties were owned by publicly traded REITs. The highly-fragmented nature of the skilled nursing and senior housing industries presents additional investment opportunities.

Demand for senior housing is expected to increase as a result of an aging population and an increase in acuity across the post-acute landscape. Cost containment measures adopted by the federal government have encouraged patient treatment in more cost-effective settings, such as skilled nursing facilities. As a result, high acuity patients that previously would have been treated in long-term acute care hospitals and inpatient rehabilitation facilities are increasingly being treated in skilled nursing facilities. According to the National Health Expenditure Projections for 2019-2028 published by the Centers for Medicare & Medicaid Services (“CMS”), nursing home expenditures are projected to grow from approximately \$175 billion in 2019 to approximately \$266 billion in 2028, representing a compounded annual growth rate of 4.8%. This focus on high acuity patients

in skilled nursing facilities has resulted in the typical senior housing resident requiring more assistance with activities for daily living, such as assistance with bathing, grooming, dressing, eating, and medication management; however, many older senior housing communities were not built to accommodate a resident who has more needs as well as increased mobility and cognitive issues than in the past. We believe that these trends will create an emphasis on operators who can effectively adapt their operating model to accommodate the changing nursing home patient and senior housing resident and will result in increased demand for purpose-built properties that are complementary to this new system of healthcare delivery.

The hospital industry is broadly defined to include acute care, long-term acute care, rehabilitation and behavioral hospitals. Hospital services comprise one of the largest categories of healthcare expenditures. According to the CMS National Health Expenditure Projections for 2019-2028, hospital care expenditures are projected to grow from approximately \$1.3 trillion in 2019 to approximately \$2.1 trillion in 2028, representing a compounded annual growth rate of 5.8%. Hospitals offer a wide range of services, both inpatient and outpatient, in a variety of settings. We believe that demand will increase for innovative means of delivering those services and present additional investment opportunities.

While the factors described above indicate projected growth for our industry, the COVID-19 pandemic has negatively impacted operators and generally resulted in decreased occupancy. It is difficult to predict the duration of the ongoing pandemic and its effects on the industry.

We compete for real property investments with other REITs, investment companies, private equity and hedge fund investors, sovereign funds, healthcare operators, lenders and other investors. Some of our competitors are significantly larger and have greater financial resources and lower costs of capital than we do. Increased competition makes it more challenging to identify and successfully capitalize on acquisition opportunities that meet our investment objectives. Our ability to compete is also impacted by national and local economic trends, availability of investment alternatives, availability and cost of capital, construction and renovation costs, existing laws and regulations, new legislation and population trends.

In addition, revenues from our properties are dependent on the ability of our tenants and operators to compete with other healthcare operators. These operators compete on a local and regional basis for residents and patients, and the operators' ability to successfully attract and retain residents and patients depends on key factors such as the number of facilities in the local market, the types of services available, the quality of care, reputation, age and appearance of each facility, and the cost of care in each locality. Private, federal and state payment programs and the effect of other laws and regulations may also have a significant impact on the ability of our tenants and operators to compete successfully for residents and patients at the properties.

## **Portfolio of Healthcare Investments**

We have a geographically diverse portfolio of healthcare investments across the U.S. and Canada that offer a range of services including skilled nursing/transitional care, assisted and independent living, mental health and acute care. As of December 31, 2020, our investment portfolio consisted of 426 real estate properties held for investment, one investment in a sales-type lease, 18 investments in loans receivable, six preferred equity investments and our 49% equity interest in the Enlivan Joint Venture. Of our 426 properties held for investment as of December 31, 2020, we owned fee title to 420 properties and title under ground leases for six properties.

Our portfolio consisted of the following types of healthcare facilities as of December 31, 2020:

- *Skilled Nursing/Transitional Care Facilities*

Skilled nursing facilities. Skilled nursing facilities provide services that include daily nursing, therapeutic rehabilitation, social services, activities, housekeeping, nutrition, medication management and administrative services for individuals requiring certain assistance for activities in daily living. A typical skilled nursing facility includes mostly one and two bed units, each equipped with a private or shared bathroom and community dining facilities.

Mental health facilities. Mental health facilities provide a range of inpatient and outpatient behavioral health services for adults and children through specialized treatment programs.

Transitional care facilities/units. Transitional care facilities/units are licensed nursing facilities or distinct units within a licensed nursing facility that provide short term, intensive, high acuity nursing and medical services. These facilities tend to focus on delivering specialized treatment to patients with cardiac, neurological, pulmonary, orthopedic, and renal conditions. Length of service is typically 30 days or less with the majority of patients returning to prior living arrangements and functional abilities. Generally, transitional care facilities/units provide services to Medicare, managed care and commercial insurance patients.

- *Senior Housing Communities*

Independent living communities. Independent living communities are age-restricted multi-family properties with central dining facilities that provide services that include security, housekeeping, activities, nutrition and limited laundry services. Our independent living communities are designed specifically for independent seniors who are able to live on their own, but desire the security and conveniences of community living. Independent living communities typically offer several services covered under a regular monthly fee.

Assisted living communities. Assisted living communities provide services that include assistance for activities in daily living and permit residents to maintain some of their privacy and independence as they do not require constant supervision and assistance. Services bundled within one regular monthly fee usually include three meals per day in a central dining room, daily housekeeping, laundry, medical reminders and 24-hour availability of assistance with the activities of daily living, such as eating, dressing and bathing. Professional nursing and healthcare services are usually available at the community on call or at regularly scheduled times. Assisted living communities typically are comprised of studios and one- and two-bedroom suites equipped with private bathrooms and efficiency kitchens.

Memory care communities. Memory care communities offer specialized options, services and clinical programs for individuals with Alzheimer's disease and other forms of dementia. Purpose-built memory care communities offer a more residential environment than offered in a secured unit of a nursing facility. These communities offer dedicated care and specialized programming from specially trained staff for various conditions relating to memory loss in a secured environment that is typically smaller in scale and more residential in nature than traditional assisted living communities. Residents require a higher level of care, a secure environment, customized therapeutic recreation programs and more assistance with activities of daily living than in assisted living communities. Therefore, these communities have staff available 24 hours a day to respond to the unique needs of their residents.

Continuing care retirement communities. Continuing care retirement communities, or CCRCs, provide, as a continuum of care, the services described above for independent living communities, assisted living communities, memory care communities and skilled nursing facilities in an integrated campus.

- *Specialty Hospitals and Other Facilities*

Acute care hospitals. Acute care hospitals provide emergency room, inpatient and outpatient medical care and other related services for surgery, acute medical conditions or injuries (usually for a short-term illness or condition).

Long-term acute care hospitals. Long-term acute care hospitals provide care for patients with complex medical conditions that require longer stays and more intensive care, monitoring or emergency back-up than that available in most skilled nursing facilities.

Rehabilitation hospitals. Rehabilitation hospitals provide inpatient and outpatient care for patients who have sustained traumatic injuries or illnesses, such as spinal cord injuries, strokes, head injuries, orthopedic problems, work-related disabilities and neurological diseases.

Behavioral hospitals. Behavioral hospitals provide inpatient and outpatient care for patients with mental health conditions, chemical dependence or substance addictions.

Addiction treatment centers. Addiction treatment centers provide treatment services for chemical dependence and substance addictions, which may include inpatient care, outpatient care, medical detoxification, therapy and counseling.

Residential services facilities. Residential services facilities provide services in home and community-based settings, which may include assistance with activities of daily living.

Other facilities. Other facilities include facilities other than those described above that are not classified as skilled nursing/transitional care or senior housing.

## Geographic and Property Type Diversification

The following tables display the geographic concentration by property type and by investment and the distribution of beds/units for our real estate held for investment as of December 31, 2020 (dollars in thousands):

### Geographic Concentration — Property Type

Location	Skilled Nursing / Transitional Care	Senior Housing - Leased	Senior Housing - Managed	Specialty Hospitals and Other	Consolidated Total	% of Consolidated Total	Unconsolidated JV Senior Housing - Managed	Total	% of Total
Texas	39	9	6	14	68	16.0 %	28	96	16.4 %
Indiana	14	3	—	1	18	4.2	21	39	6.7
California	24	1	1	4	30	7.0	—	30	5.1
Washington	15	1	1	—	17	4.0	12	29	5.0
Kentucky	24	1	—	2	27	6.3	1	28	4.8
Oregon	15	4	—	—	19	4.5	6	25	4.3
Ohio	5	1	—	—	6	1.4	15	21	3.6
Wisconsin	4	3	3	—	10	2.4	10	20	3.4
Pennsylvania	2	—	5	1	8	1.9	11	19	3.3
Massachusetts	18	—	—	—	18	4.2	—	18	3.1
Other (33 states & Canada)	127	42	31	5	205	48.1	54	259	44.3
<b>Total</b>	<b>287</b>	<b>65</b>	<b>47</b>	<b>27</b>	<b>426</b>	<b>100.0 %</b>	<b>158</b>	<b>584</b>	<b>100.0 %</b>
% of Consolidated Total	67.4 %	15.3 %	11.0 %	6.3 %	100.0 %				
% of Total	49.1 %	11.1 %	8.1 %	4.6 %	72.9 %		27.1 %	100.0 %	

### Distribution of Beds/Units

Location	Total Number of Properties	Property Type				Consolidated Total	% of Consolidated Total	Unconsolidated JV Senior Housing - Managed	Total	% of Total
		Skilled Nursing / Transitional Care	Senior Housing - Leased	Senior Housing - Managed	Specialty Hospitals and Other					
Texas	96	4,816	577	856	366	6,615	15.7 %	1,092	7,707	15.7 %
Kentucky	28	2,598	142	—	100	2,840	6.8	55	2,895	5.9
Indiana	39	1,439	432	—	48	1,919	4.6	963	2,882	5.9
California	30	2,058	58	102	340	2,558	6.1	—	2,558	5.2
Washington	29	1,591	52	113	—	1,756	4.2	504	2,260	4.6
Massachusetts	18	2,209	—	—	—	2,209	5.2	—	2,209	4.5
Oregon	25	1,520	377	—	—	1,897	4.5	207	2,104	4.3
North Carolina	15	1,454	—	237	—	1,691	4.0	—	1,691	3.4
New York	10	1,566	—	107	—	1,673	4.0	—	1,673	3.4
Missouri	14	1,075	—	184	—	1,259	3.0	—	1,259	2.6
Other (33 states & Canada)	280	11,435	2,644	3,325	238	17,642	41.9	4,235	21,877	44.5
<b>Total</b>	<b>584</b>	<b>31,761</b>	<b>4,282</b>	<b>4,924</b>	<b>1,092</b>	<b>42,059</b>	<b>100.0 %</b>	<b>7,056</b>	<b>49,115</b>	<b>100.0 %</b>
% of Consolidated Total		75.5 %	10.2 %	11.7 %	2.6 %	100.0 %				
% of Total		64.7 %	8.7 %	10.0 %	2.2 %	85.6 %		14.4 %	100.0 %	

## Geographic Concentration — Investment <sup>(1)</sup>

Location	Total Number of	Property Type				Total	% of Total
		Skilled Nursing / Transitional Care	Senior Housing - Leased	Senior Housing - Managed	Specialty Hospitals and Other		
Texas	68	\$ 385,040	\$ 81,305	\$ 182,316	\$ 196,035	\$ 844,696	14.2 %
California	30	435,612	18,160	36,479	225,361	715,612	12.0
Oregon	19	261,316	86,860	—	—	348,176	5.9
Maryland	9	325,887	3,250	—	—	329,137	5.5
New York	10	297,573	—	20,014	—	317,587	5.3
Kentucky	27	228,773	23,669	—	39,696	292,138	4.9
Indiana	18	174,581	88,824	—	5,310	268,715	4.5
Washington	17	188,551	10,686	27,752	—	226,989	3.8
Arizona	8	33,822	10,348	38,218	121,757	204,145	3.4
North Carolina	15	123,462	—	68,395	—	191,857	3.2
Other (30 states & Canada) <sup>(2)</sup>	205	1,189,853	384,532	569,822	82,634	2,226,841	37.3
<b>Total</b>	<b>426</b>	<b>\$ 3,644,470</b>	<b>\$ 707,634</b>	<b>\$ 942,996</b>	<b>\$ 670,793</b>	<b>\$ 5,965,893</b>	<b>100.0 %</b>
<b>% of Total</b>		<b>61.1 %</b>	<b>11.9 %</b>	<b>15.8 %</b>	<b>11.2 %</b>	<b>100.0 %</b>	

<sup>(1)</sup> Represents the undepreciated book value of our real estate held for investment as of December 31, 2020. Excludes unconsolidated joint venture.

<sup>(2)</sup> Investment balance in Canada is based on the exchange rate as of December 31, 2020 of \$0.7848 per CAD \$1.00.

## Loans Receivable and Other Investments

As of December 31, 2020 and 2019, our loans receivable and other investments consisted of the following (dollars in thousands):

Investment	Quantity as of December 31, 2020	Property Type	Principal Balance as of December 31, 2020 <sup>(1)</sup>	Book Value as of December 31, 2020	Book Value as of December 31, 2019	December 31, 2020		Maturity Date as of December 31, 2020
						Weighted Average Contractual Interest Rate / Rate of Return	Weighted Average Annualized Effective Interest Rate / Rate of Return	
<b>Loans Receivable:</b>								
Mortgage	1	Specialty Hospital	\$ 19,000	\$ 19,000	\$ 19,000	10.0 %	10.0 %	01/31/27
Construction	1	Senior Housing	3,343	3,352	2,487	8.0 %	7.8 %	09/30/22
Other	16	Multiple	42,977	39,005	42,147	6.8 %	6.9 %	03/01/21-08/31/28
	18		65,320	61,357	63,634	7.8 %	7.9 %	
Allowance for loan losses			—	(2,458)	(564)			
			65,320	58,899	63,070			
<b>Other Investments:</b>								
Preferred Equity	6	Skilled Nursing / Senior Housing	43,724	43,940	44,304	11.3 %	11.3 %	N/A
<b>Total</b>	<b>24</b>		<b>\$ 109,044</b>	<b>\$ 102,839</b>	<b>\$ 107,374</b>	<b>9.2 %</b>	<b>9.3 %</b>	

<sup>(1)</sup> Principal balance includes amounts funded and accrued unpaid interest / preferred return and excludes capitalizable fees.

## Significant Credit Concentrations

For the year ended December 31, 2020, no tenant relationship represented 10% or more of our total revenues.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Concentration of Credit Risk” in Part II, Item 7 for additional information, including risks and uncertainties, regarding tenant concentration.

## **Investment Financing Strategy**

We expect that future investments in properties, including any improvements or renovations of current or newly-acquired properties, will depend on and will be financed, in whole or in part, by our existing cash, borrowings available to us under our Revolving Credit Facility (as defined below) and proceeds from issuances of common stock (including through our ATM Program, as defined below), preferred stock, debt or other securities. In addition, we may seek financing from U.S. government agencies, including through Fannie Mae, Freddie Mac and the U.S. Department of Housing and Urban Development (“HUD”), in appropriate circumstances in connection with acquisitions. We also use derivative instruments in the normal course of business to mitigate interest rate and foreign currency risk.

## **Competitive Strengths**

We believe the following competitive strengths contribute significantly to our success:

### ***Diverse Property Portfolio***

Our portfolio of 426 properties held for investment as of December 31, 2020 is broadly diversified by location across the U.S. and Canada. Our properties in any one state or province did not account for more than 16% of our total beds/units as of December 31, 2020. Our geographic diversification will limit the effect of a decline in any one regional market on our overall performance. We have also been able to diversify, through acquisitions and dispositions, the extent to which our revenues are dependent on our tenants’, borrowers’ and equity investees’ revenues from federal, state and local government reimbursement programs. Based on the information provided to us by our tenants and borrowers, which information is provided quarterly in arrears, on an annualized basis as of December 31, 2020, 59.0% of our tenants’, borrowers’ and equity investees’ revenue was from federal, state and local government reimbursement programs.

### ***Long-Term, Triple-Net Lease Structure***

As of December 31, 2020, the substantial majority of our real estate properties held for investment (excluding 47 Senior Housing - Managed communities) were leased under triple-net operating leases with expirations ranging from less than one year to 16 years, pursuant to which the tenants are responsible for all facility maintenance, insurance required in connection with the leased properties and the business conducted on the leased properties, taxes levied on or with respect to the leased properties and all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties. As of December 31, 2020, the leases had a weighted-average remaining term of eight years. The leases generally include provisions to extend the lease terms and other negotiated terms and conditions. We, through our subsidiaries, retain substantially all of the risks and benefits of ownership of the real estate assets leased to tenants. We may receive additional security under these operating leases in the form of letters of credit and security deposits from the lessee or guarantees from the parent of the lessee. In addition, certain of our tenants have deposited amounts with us for future real estate taxes, insurance expenditures and tenant improvements related to our properties and their operations.

### ***Senior Housing - Managed Structure***

As of December 31, 2020, our real estate properties held for investment included 47 Senior Housing - Managed communities operated by seven third-party property managers pursuant to property management agreements. In addition, as of December 31, 2020, the Enlivant Joint Venture owned 158 Senior Housing - Managed communities managed by Enlivant. The Senior Housing - Managed structure gives us direct exposure to the risks and benefits of the operations of the communities. We generally utilize the Senior Housing - Managed structure when properties present growth opportunities that may be achievable through capital investment and/or property managers providing scale, operating efficiencies and/or ancillary services. The third-party property managers manage our communities in exchange for the receipt of a management fee, and as such, we are not directly exposed to the credit risk of the property managers in the same manner or to the same extent as we are to our triple-net tenants. However, we rely on the property managers’ personnel, expertise, technical resources and information systems, proprietary information, good faith and judgment to manage our communities efficiently and effectively. We also rely on the property managers to set appropriate resident fees and otherwise operate our communities in compliance with the terms of our management agreements and all applicable laws and regulations.

### ***Strong Relationships with Operators***

The members of our management team have developed an extensive network of relationships with qualified local, regional and national operators of skilled nursing/transitional care facilities and senior housing communities across the U.S. and Canada. This extensive network has been built by our management team through more than 100 years of combined operating experience, involvement in industry trade organizations and the development of banking relationships and investor relations within the skilled nursing and senior housing industries. We believe these strong relationships with operators help us to source investment opportunities.

Our relationships with operators include pipeline agreements that we have entered into with certain operators that provide for the acquisition of, and interim capital commitments for, various healthcare facilities. These pipeline agreements, together with repeat transactions with other operators, help support our future growth potential by providing additional investment opportunities with lower acquisition costs than would be required for investments with new operators.

### ***Ability to Identify Talented Operators***

As a result of our management team's operating experience, network of relationships and industry insight, we have been able and expect to continue to be able to identify qualified local, regional and national operators. We seek operators who possess local market knowledge, demonstrate hands-on management, have proven track records and emphasize patient care. These operators are often located in secondary markets, which generally have lower costs to build and favorable demographics as demonstrated by the fact that the percentage of the population over the age of 65 is greater in the markets where we have invested than in the U.S. as a whole. We believe our management team's experience gives us a key competitive advantage in objectively evaluating an operator's financial position, emphasis on care and operating efficiency.

### ***Significant Experience in Proactive Asset Management***

The members of our management team have significant experience developing systems to collect and evaluate data relating to the underlying operational and financial success of healthcare companies and healthcare-related real estate assets. We are able to utilize this experience and expertise to provide our operators, when requested, with assistance in the areas of marketing, development, facility expansion and strategic planning. We have also developed a proprietary information technology system that allows us to efficiently and effectively collect tenant, financial, asset management and acquisitions information. Leveraging this system allows us to be lean in our operations and proactive in sharing information with our tenants and operators where we can be helpful to them. We actively monitor the operating results of our tenants, and, when requested, we offer support to our operators to identify and capitalize on opportunities to improve the operations of our facilities and the overall financial and operating strength of our operators.

### ***Business Strategies***

We pursue business strategies focused on opportunistic acquisitions and property diversification where such acquisitions meet our investing and financing strategy. We also intend to further develop our relationships with tenants and healthcare providers with a goal to progressively expand the mixture of tenants managing and operating our properties.

The key components of our business strategies include:

#### ***Diversify Asset Portfolio***

We expect to grow our investment portfolio while diversifying our portfolio by tenant, facility type and geography within the healthcare sector. We plan to achieve these objectives primarily through making investments directly or indirectly in healthcare real estate, including the development of purpose-built healthcare facilities with select developers. We also intend to achieve our objective of diversifying our portfolio by tenant and facility type through select asset sales and other arrangements with our tenants.

We expect to continue to grow our portfolio primarily through the acquisition of assisted living, independent living and memory care communities in the U.S. and Canada and through the acquisition of skilled nursing/transitional care and behavioral health facilities in the U.S. We have and expect to continue to opportunistically acquire other types of healthcare real estate, originate financing secured directly or indirectly by healthcare facilities and invest in the development of senior housing communities and skilled nursing/transitional care facilities. We also expect to expand our portfolio through the development of purpose-built healthcare facilities through pipeline agreements and other arrangements with select developers. We further expect to work with existing operators to identify strategic development opportunities. These opportunities may involve replacing, renovating or expanding facilities in our portfolio that may have become less competitive and new development opportunities that present attractive risk-adjusted returns. In addition to pursuing acquisitions with triple-net leases, we expect to continue to pursue other forms of investment, including investments in Senior Housing - Managed communities, mezzanine

and secured debt investments, and joint ventures for senior housing communities and skilled nursing/transitional care facilities. We also expect to continue to enhance the strength of our investment portfolio by selectively disposing of underperforming facilities or working with new or existing operators to transfer underperforming but promising properties to new operators.

With respect to our debt and preferred equity investments, in general, we originate loans and make preferred equity investments when an attractive investment opportunity is presented and (a) the property is in or near the development phase, (b) the development of the property is completed but the operations of the facility are not yet stabilized or (c) the loan investment will provide capital to existing relationships. A key component of our development strategy related to loan originations and preferred equity investments is having the option to purchase the underlying real estate that is owned by our borrowers (and that directly or indirectly secures our loan investments) or by the entity in which we have an investment. These options become exercisable upon the occurrence of various criteria, such as the passage of time or the achievement of certain operating goals, and the method to determine the purchase price upon exercise of the option is set in advance based on the same valuation methods we use to value our investments in healthcare real estate. This proprietary development pipeline strategy allows us to diversify our revenue streams and build relationships with operators and developers, and provides us with the option to add new properties to our existing real estate portfolio if we determine that those properties enhance our investment portfolio and stockholder value at the time the options are exercisable.

### ***Maintain Balance Sheet Strength and Liquidity***

We seek to maintain a capital structure that provides the resources and flexibility to support the growth of our business. As of December 31, 2020, we had approximately \$1.1 billion in liquidity, consisting of unrestricted cash and cash equivalents of \$59.1 million and available borrowings under our Revolving Credit Facility of \$1.0 billion. The Credit Agreement (as defined below) also contains an accordion feature that can increase the total available borrowings to \$2.75 billion (up from U.S. \$2.0 billion plus CAD \$125.0 million), subject to terms and conditions.

We have filed a shelf registration statement with the SEC that expires in December 2022, which allows us to offer and sell shares of common stock, preferred stock, warrants, rights, units, and certain of our subsidiaries to offer and sell debt securities, through underwriters, dealers or agents or directly to purchasers, on a continuous or delayed basis, in amounts, at prices and on terms we determine at the time of the offering, subject to market conditions.

We intend to maintain a mix of Revolving Credit Facility debt, term loan debt, secured debt and unsecured term debt, which, together with our anticipated ability to complete future equity financings (including through our ATM Program), we expect will fund the growth of our operations. Further, we may opportunistically seek access to U.S. government agency financing, including through Fannie Mae, Freddie Mac and HUD, in appropriate circumstances in connection with acquisitions.

### ***Develop New Investment Relationships***

We seek to cultivate our relationships with tenants and healthcare providers in order to expand the mix of tenants operating our properties and, in doing so, to reduce our dependence on any single tenant or operator. We have grown our investment relationships from one in 2010 to 72 as of December 31, 2020. We expect to continue to develop new investment relationships as part of our overall strategy to acquire new properties and further diversify our overall portfolio of healthcare properties.

### ***Capital Source to Underserved Operators***

We believe that there is a significant opportunity to be a capital source to healthcare operators through the acquisition of healthcare properties that are consistent with our investment and financing strategy, but that, due to size and other considerations, are not a focus for other healthcare REITs. We utilize our management team's operating experience, network of relationships and industry insight to identify financially strong and growing operators in need of capital funding for future growth. In appropriate circumstances, we may negotiate with operators to acquire individual healthcare properties from those operators and then lease those properties back to the operators pursuant to long-term triple-net leases or refinance new projects.

### ***Strategic Capital Improvements***

We intend to continue to support operators by providing capital to them for a variety of purposes, including for capital expenditures and facility modernization. We expect to structure the majority of these investments as either lease amendments that produce additional rents or as loans that are repaid by operators during the applicable lease term.

### ***Pursue Strategic Development Opportunities***

We expect to work with existing operators to identify strategic development opportunities. These opportunities may involve replacing, renovating or expanding facilities in our portfolio that may have become less competitive and new

development opportunities that present attractive risk-adjusted returns. In addition to pursuing acquisitions with triple-net leases, we expect to continue to pursue other forms of investment, including investments in Senior Housing - Managed communities, mezzanine and secured debt investments, and joint ventures for senior housing and skilled nursing/transitional care facilities.

## **Human Capital Matters**

### ***Experienced Management Team***

Our management team has extensive healthcare and real estate experience. Richard K. Matros, Chairman, President and Chief Executive Officer of Sabra, has more than 30 years of experience in the acquisition, development and disposition of healthcare assets, including nine years at Sun Healthcare Group, Inc. Harold W. Andrews, Jr., Executive Vice President, Chief Financial Officer and Secretary of Sabra, is a finance professional with more than 20 years of experience in both the provision of healthcare services and healthcare real estate. Talya Nevo-Hacohen, Executive Vice President, Chief Investment Officer and Treasurer of Sabra, is a real estate finance executive with more than 25 years of experience in real estate finance, acquisition and development, including three years of experience managing and implementing the capital markets strategy of an S&P 500 healthcare REIT. Through years of public company experience, our management team also has extensive experience accessing both debt and equity capital markets to fund growth and maintain a flexible capital structure.

### ***Team Members and Equal Opportunity***

As of December 31, 2020, we employed 38 full-time employees (our team members), including our executive officers, none of whom is subject to a collective bargaining agreement. As of December 31, 2020, women comprised 55% of our workforce and 65% of our management level/leadership roles. As of December 31, 2020, 21% of our team members self-identified as being members of one or more ethnic minorities. We believe our ethnic diversity is higher than this reported percentage as another 21% of our team members did not respond to our survey requesting this information. We believe that a diverse workforce is essential to our continued success, and we strive to maintain a fair, healthy and safe workplace, while creating a work environment that promotes diversity, equality and inclusion for our team members. Our workforce reflects diverse gender, ethnicity, age and cultural backgrounds.

We recognize that attracting and retaining talent at all levels is vital to continuing our success and, in many ways, is our most critical asset. We ensure our team members receive competitive salaries and benefits, and we aim to attract professionals who will uphold our values of social and environmental stewardship. We promote the work-life balance of our team members, we invest in our team members through high-quality benefits and meaningful health and wellness initiatives, and we have created a healthy work environment in our office to incentivize and engage our team members. The health and safety of our team members is an important consideration for us, and in light of the COVID-19 pandemic, we have accommodated flexible work from home arrangements, extended hardship benefits and provided assistance for dependent care costs to preserve the health and well-being of our team members and their families.

We believe that when we create a workplace where our team members are engaged, committed and empowered for the long-term, we are better positioned to create value for our company, as well as for our stockholders. We gauge our team members' level of engagement and satisfaction through annual surveys as well as subject-driven focus surveys regarding topics including company culture and the impact of the COVID-19 pandemic and working from home. Based on feedback received, we identify areas for improvement and action items to be implemented. Our performance management initiative helps us proactively plan for our team members' evolving roles and address the current and future needs of our business. The initiative employs 360-degree assessments and focuses on aligning our talent strategy with our business strategy and identifies skills that may be required to meet our future business needs. We also seek to ensure that our team members have opportunities to interact with our accomplished board of directors and accordingly invite all of our team members to our quarterly board of directors dinner events.

We support volunteerism, organizing opportunities for our team members as a group to volunteer within the community. Our team members also donate to our tenants' employees, patients and residents every holiday season. In order to support engagement and team building, various company events, including life event celebrations, dinners and other social outings, are held regularly throughout the year, as well as an annual all team member retreat. During the COVID-19 pandemic, these events were adapted to virtual platforms with a focus on company business, education and entertainment, including biweekly all-team member Zoom meetings in which our chief executive officer provides business and operational updates and then leads team-building activities.

## Government Regulation

Our tenants are subject to extensive and complex federal, state and local healthcare laws and regulations, including anti-kickback, anti-fraud and abuse provisions codified under the Social Security Act. These provisions prohibit certain business practices and relationships that might affect the provision and cost of healthcare services reimbursable under Medicare and Medicaid. Sanctions for violating these anti-kickback, anti-fraud and abuse provisions include criminal penalties, civil sanctions, fines and possible exclusion from government programs such as Medicare and Medicaid. If a facility is decertified as a Medicare or Medicaid provider by CMS or a state, the facility will not thereafter be reimbursed for caring for residents that are covered by Medicare and Medicaid, and the facility would be forced to care for such residents without being reimbursed or to transfer such residents.

Most of our tenants' skilled nursing/transitional care, assisted living and mental health facilities are licensed under applicable state law. Most of our skilled nursing/transitional care facilities and mental health facilities are certified or approved as providers under the Medicare and Medicaid programs. Some of our assisted living facilities are certified or approved as providers under various state Medicaid and/or Medicaid waiver programs. Similarly, the operators of our specialty hospitals must meet the applicable conditions of participation established by the U.S. Department of Health and Human Services and comply with state and local laws and regulations in order to receive Medicare and Medicaid reimbursement. State and local agencies survey all skilled nursing/transitional care facilities and some assisted living facilities on a regular basis to determine whether such facilities are in compliance with governmental operating and health standards and conditions for participation in government sponsored third party payor programs. Under certain circumstances, the federal and state agencies have the authority to take adverse actions against a facility or service provider, including the imposition of a monitor, the imposition of monetary penalties and the decertification of a facility or provider from participation in the Medicare and/or Medicaid/Medicaid waiver programs or licensure revocation. Challenging and appealing notices or allegations of noncompliance can require significant legal expenses and management attention.

Various states in which our tenants operate our facilities have established minimum staffing requirements or may establish minimum staffing requirements in the future. Failure to comply with such minimum staffing requirements may result in the imposition of fines or other sanctions. Most states in which our tenants operate have statutes requiring that prior to the addition or construction of new nursing home beds, to the addition of new services or to certain capital expenditures in excess of defined levels, the tenant first must obtain a certificate of need, which certifies that the state has made a determination that a need exists for such new or additional beds, new services or capital expenditures. The certification process is intended to promote quality healthcare at the lowest possible cost and to avoid the unnecessary duplication of services, equipment and centers. This certification process can restrict or prohibit the undertaking of a project or lengthen the period of time required to enlarge or renovate a facility or replace a tenant.

In addition to the above, those of our tenants who provide services that are paid for by Medicare and Medicaid are subject to federal and state budgetary cuts and constraints that limit the reimbursement levels available from these government programs. Changes to reimbursement or methods of payment from Medicare and Medicaid could result in a substantial reduction in our tenants' revenues. Various healthcare reform measures became law upon the enactment of the Patient Protection and Affordable Care Act of 2010 (the "Affordable Care Act") and the Tax Cuts and Jobs Act (the "2017 Tax Act"), which amends certain provisions of the Affordable Care Act. The recent Presidential and Congressional elections in the U.S. could result in further changes. Amendments to, repeal of or legal challenges to the Affordable Care Act and regulatory changes could impose further limitations on government payments to our tenants. On July 31, 2018, CMS issued a final rule, CMS-1696-F, which includes changes to the case-mix classification system used under the Prospective Payment System. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Skilled Nursing Facility Reimbursement Rates" in Part II, Item 7 for additional information.

As of December 31, 2020, our subsidiaries owned 10 healthcare facilities (six senior housing communities and four skilled nursing/transitional care facilities) with mortgage loans that are guaranteed by HUD. Those facilities are subject to the rules and regulations of HUD, including periodic inspections by HUD, although the tenants of those facilities have the primary responsibility for maintaining the facilities in compliance with HUD's rules and regulations. The regulatory agreements entered into by each owner and each operator of the property restrict, among other things, any sale or other transfer of the property, modification of the lease between the owner and the operator, use of surplus cash from the property except upon certain conditions and renovations of the property, all without prior HUD approval.

In addition, as an owner of real property, we are subject to various federal, state and local environmental and health and safety laws and regulations. These laws and regulations address various matters, including asbestos, fuel oil management, wastewater discharges, air emissions, medical wastes and hazardous wastes. The costs of complying with these laws and regulations and the penalties for non-compliance can be substantial. For example, although we do not generally operate or actively manage our properties, we may be held primarily or jointly and severally liable for costs relating to the investigation

and cleanup of any property from which there has been a release or threatened release of a regulated material as well as other affected properties, regardless of whether we knew of or caused the release. In addition to these costs, which are typically not limited by law or regulation and could exceed the property's value, we could be liable for certain other costs, including governmental fines and injuries to persons, property or natural resources. See "Risk Factors—Risks Relating to Our Business—Environmental compliance costs and liabilities associated with real estate properties owned by us may materially impair the value of those investments." in Part I, Item 1A.

## ITEM 1A. RISK FACTORS

*The following describes the risks and uncertainties that could cause our actual results to differ materially from those presented in our forward-looking statements. The risks and uncertainties described below are not the only ones we face but do represent those risks and uncertainties that we believe are material to us. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also harm our business.*

### **Risks Related to Our Business/Operations**

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

The ongoing COVID-19 pandemic and measures intended to prevent its spread have negatively impacted us and our operations and are expected to continue to impact us and our operations in 2021 and potentially beyond, in a number of ways, including but not limited to:

- Decreased occupancy and increased operating costs for our tenants and borrowers, which have adversely impacted, and may continue to adversely impact, their ability to meet their obligations as they come due, including their obligation to make full and timely rental payments and debt service payments, respectively, to us. In some cases, we may have to restructure tenants' long-term rent obligations and may not be able to do so on terms that are as favorable to us as those currently in place. Reduced or modified rental and debt service amounts could result in the determination that the full amounts of our investments are not recoverable, which could result in an impairment charge.
- Decreased occupancy and increased operating costs within our Senior Housing - Managed portfolio and in our Enlivant Joint Venture, which have negatively impacted, and are expected to continue to negatively impact, the operating results of these investments. Prolonged deterioration in the operating results for these investments could result in the determination that the full amounts of our investments are not recoverable, which could result in an impairment charge.

If there are significant disruptions to our business, our credit ratings may be adversely impacted and we may breach covenants in our debt agreements and be unable to service our debt. Further, significant disruption could cause us to further reduce or suspend our dividend.

The COVID-19 pandemic has also caused, and is likely to continue to cause, severe economic, market and other disruptions worldwide. We cannot assure you that conditions in the bank lending, capital and other financial markets will not continue to deteriorate as a result of the pandemic, or that our access to capital and other sources of funding will not become constrained, which could adversely affect the availability and terms of future borrowings, renewals or refinancings.

As a result of the COVID-19 pandemic, our tenants and operators may be subject to increased lawsuits filed by advocacy groups that monitor the quality of care at healthcare facilities or by patients, facility residents or their families. Any litigation brought against our tenants and operators could increase our tenants' and operators' costs of business and could directly negatively impact our business. Further, we may be subject to increased claims brought against us in lawsuits and other legal proceedings arising out of our alleged actions or the alleged actions of our tenants and operators for which such tenants or operators may have agreed to indemnify, defend and hold us harmless. An unfavorable resolution of any such pending or future litigation could materially adversely affect our liquidity, financial condition and results of operations and have a material adverse effect on us in the event that we are not ultimately indemnified by our tenants or operators.

In addition, the deterioration of global economic conditions as a result of the pandemic may ultimately decrease occupancy levels and pricing across our portfolio as senior residents and tenants reduce or defer their spending. The extent of the COVID-19 pandemic's effect on our operational and financial performance will depend on future developments, including the duration, spread and intensity of the outbreak, the emergence of new strains of the virus, and the impact of vaccination efforts, all of which are uncertain and difficult to predict. Due to the evolving nature of the ongoing pandemic, we are not able

at this time to estimate the effect of these factors on our business, but the adverse impact on our business, results of operations, financial condition and cash flows could be material.

***We are dependent on the operating success of our tenants.***

Our tenants' revenues are primarily driven by occupancy, Medicare and Medicaid reimbursement and private pay rates. Revenues from government reimbursement have been, and may continue to be, subject to rate cuts and further pressure from federal and state budgetary cuts and constraints. A weakening of economic conditions in the U.S. may adversely affect occupancy rates of healthcare facilities that rely on private pay residents. Our tenants' expenses are driven by the costs of labor, food, utilities, taxes, insurance and rent or debt service. In addition, any failure by a tenant to effectively conduct its operations or to maintain and improve our properties could adversely affect its business reputation and its ability to attract and retain residents in our properties. To the extent any decrease in revenues and/or any increase in operating expenses results in our tenants' not generating enough cash to make scheduled lease payments to us, our business, financial position or results of operations could be materially adversely affected.

***Our reported rental and related revenues may be subject to increased variability as a result of the adoption of Accounting Standards Update ("ASU") 2016-02, Leases, as amended by subsequent ASUs ("Topic 842").***

In February 2016, the Financial Accounting Standards Board issued Topic 842, which supersedes guidance related to accounting for leases and provides for the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous accounting guidance. The objective of Topic 842 is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing and uncertainty of cash flows arising from a lease. We elected to adopt Topic 842 on January 1, 2019 using the modified retrospective transition method. Among other things, under Topic 842, if at any time we cannot determine that it is probable that substantially all rents over the life of a lease are collectible, rental revenue will be recognized only to the extent of payments received and all receivables associated with the lease will be written off, irrespective of amounts expected to be collectible. Recoveries of these amounts will be recorded in future periods upon receipt of payment. Under Topic 842, future write-offs of receivables and any recoveries of previously written-off receivables will be recorded as adjustments to rental revenue. As a result, the adoption of this new accounting standard could cause increased variability related to our reported rental and related revenues, which could increase the volatility in the market price of our common stock.

***We are exposed to operational risks with respect to our Senior Housing - Managed communities.***

We are exposed to various operational risks with respect to our Senior Housing - Managed communities that may increase our costs or adversely affect our ability to generate revenues. These risks are similar to the ones described above with respect to our tenants and include fluctuations in occupancy and private pay rates; economic conditions; competition; federal, state, local, and industry-regulated licensure, certification and inspection laws, regulations, and standards; the availability and increases in cost of general and professional liability insurance coverage; state regulation and rights of residents related to entrance fees; and the availability and increases in the cost of labor (as a result of unionization or otherwise). Any one or a combination of these factors may adversely affect our business, financial position or results of operations.

***Real estate is a competitive business and this competition may make it difficult for us to identify and purchase suitable healthcare properties, to finance acquisitions on favorable terms, or to retain or attract tenants.***

We operate in a highly competitive industry and face competition from other REITs, investment companies, private equity and hedge fund investors, sovereign funds, healthcare operators, lenders and other investors, some of whom are significantly larger than us and have greater resources and lower costs of capital than we do. This competition makes it more challenging to identify and successfully capitalize on acquisition opportunities that meet our investment objectives. Similarly, our properties face competition for patients and residents from other properties in the same market, which may affect our ability to attract and retain tenants or may reduce the rents we are able to charge. If we cannot identify and purchase a sufficient quantity of healthcare properties at favorable prices, finance acquisitions on commercially favorable terms, or attract and retain profitable tenants, our business, financial position or results of operations could be materially adversely affected.

***If we lose our key management personnel, we may not be able to successfully manage our business and achieve our objectives.***

Our success depends in large part upon the leadership and performance of our executive management team, particularly Mr. Matros, our President and Chief Executive Officer. If we lose the services of Mr. Matros, we may not be able to successfully manage our business or achieve our business objectives.

***We may experience uninsured or underinsured losses, which could result in a significant loss of the capital we have invested in a property, decrease anticipated future revenues or cause us to incur unanticipated expenses.***

While our lease agreements and property management agreements require that comprehensive insurance and hazard insurance be maintained by the tenants or operators, as applicable, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, hurricanes and floods, that may be uninsurable or not economically insurable. Insurance coverage may not be sufficient to pay the full current market value or current replacement cost of a loss. Inflation, changes in building codes and ordinances, environmental considerations, and other factors also might make it infeasible to use insurance proceeds to replace properties after they have been damaged or destroyed. Under such circumstances, the insurance proceeds received might not be adequate to restore the economic position with respect to a damaged property.

## **Risks Related to Our Tenants and Operators**

***Our tenants and operators may be adversely affected by increasing healthcare regulation and enforcement.***

Over the last several years, the regulatory environment of the long-term healthcare industry has intensified both in the amount and type of regulations and in the efforts to enforce those regulations. This is particularly true for large for-profit, multi-facility providers. The extensive federal, state and local laws and regulations affecting the healthcare industry include those relating to, among other things, licensure, conduct of operations, ownership of facilities, addition of facilities and equipment, allowable costs, services, prices for services, qualified beneficiaries, quality of care, patient rights, fraudulent or abusive behavior, and financial and other arrangements that may be entered into by healthcare providers. Changes in enforcement policies by federal and state governments have resulted in a significant increase in the number of inspections, citations of regulatory deficiencies and other regulatory sanctions, including terminations from the Medicare and Medicaid programs, bars on Medicare and Medicaid payments for new admissions, civil monetary penalties and even criminal penalties.

If our tenants or operators fail to comply with the extensive laws, regulations and other requirements applicable to their businesses and the operation of our properties, they could become ineligible to receive reimbursement from governmental and private third-party payor programs, face bans on admissions of new patients or residents, suffer civil or criminal penalties or be required to make significant changes to their operations. Our tenants and operators also could be forced to expend considerable resources responding to an investigation, lawsuit or other enforcement action under applicable laws or regulations. In such event, the results of operations and financial condition of our tenants and operators and the results of operations of our properties operated by those entities could be adversely affected, which, in turn, could have a material adverse effect on us. We are unable to predict future federal, state and local regulations and legislation, including the Medicare and Medicaid statutes and regulations, or the intensity of enforcement efforts with respect to such regulations and legislation, and any changes in the regulatory framework could have a material adverse effect on our tenants, which, in turn, could have a material adverse effect on us.

***Our tenants and operators depend on reimbursement from governmental and other third-party payor programs, and reimbursement rates from such payors may be reduced.***

Many of our tenants and operators depend on third-party payors, including Medicare, Medicaid or private third-party payors, for the majority of their revenue. The reduction in reimbursement rates from third-party payors, including insurance companies and the Medicare and Medicaid programs, or other measures reducing reimbursements for services provided by our tenants and operators, may result in a reduction in our tenants' and operators' revenues and operating margins. In addition, reimbursement from private third-party payors may be reduced as a result of retroactive adjustment during claims settlement processes or as a result of post-payment audits. Furthermore, new laws and regulations could impose additional limitations on government and private payments to healthcare providers. For example, our tenants and operators may be affected by health reform initiatives that modify certain payment systems to encourage more cost-effective care and a reduction of inefficiencies and waste (e.g., the implementation of a voluntary bundled payment program and the creation of accountable care organizations). We cannot assure you that adequate reimbursement levels will continue to be available for the services provided by our tenants and operators. Although moderate reimbursement rate reductions may not affect our tenants' ability to meet their financial obligations to us, significant limits on reimbursement rates or on the services reimbursed could have a material adverse effect on their business, financial position or results of operations, which could materially adversely affect their ability to meet their financial obligations to us.

While reimbursement rates have generally increased over the past few years, President Biden and members of the U.S. Congress may approve or propose new legislation, regulation changes and reform initiatives that could result in changes (including substantial reductions in funding) to Medicare, Medicaid or Medicare Advantage Plans. In addition, a number of states are currently managing budget deficits, which may put pressure on states to decrease reimbursement rates for our tenants and operators with a goal of decreasing state expenditures under their state Medicaid programs. Any such existing or future federal or state legislation relating to deficit reduction that reduces reimbursement payments to healthcare providers could have

a material adverse effect on our tenants' and operators' business, financial position or results of operations, which could materially adversely affect their ability to meet their financial obligations to us and could have a material adverse effect on us.

***We face potential adverse consequences of bankruptcy or insolvency by our tenants, operators, borrowers, managers and other obligors.***

We are exposed to the risk that our tenants could become bankrupt or insolvent. Although our lease agreements provide us with the right to exercise certain remedies in the event of default on the obligations owing to us or upon the occurrence of certain insolvency events, the bankruptcy and insolvency laws afford certain rights to a party that has filed for bankruptcy or reorganization. For example, a lessee may reject its lease with us in a bankruptcy proceeding. In such a case, our claim against the lessee for unpaid and future rents would be limited by the statutory cap of the U.S. Bankruptcy Code. This statutory cap could be substantially less than the remaining rent actually owed under the lease, and any claim we have for unpaid rent might not be paid in full. In addition, a lessee may assert in a bankruptcy proceeding that its lease should be re-characterized as a financing agreement. If such a claim is successful, our rights and remedies as a lender, compared to a landlord, are generally more limited.

***We may be unable to find a replacement tenant for one or more of our leased properties.***

We may need to find a replacement tenant for one or more of our leased properties for a variety of reasons, including upon the expiration of the lease term or the occurrence of a tenant default. During any period in which we are attempting to locate one or more replacement tenants, there could be a decrease or cessation of rental payments on the applicable property or properties. We cannot be sure that any of our current or future tenants will elect to renew their respective leases upon expiration of the terms thereof. Similarly, we cannot be sure that we will be able to locate a suitable replacement tenant or, if we are successful in locating a replacement tenant, that the rental payments from the new tenant would not be significantly less than the existing rental payments. Our ability to locate a suitable replacement tenant may be significantly delayed or limited by various state licensing, receivership, certificate of need or other laws, as well as by Medicare and Medicaid change-of-ownership rules. We also may incur substantial additional expenses in connection with any such licensing, receivership or change-of-ownership proceedings. Any such delays, limitations and expenses could delay or impact our ability to collect rent, obtain possession of leased properties or otherwise exercise remedies for default, which could materially adversely affect our business, financial condition and results of operations.

***Potential litigation and rising insurance costs may affect our tenants' and operators' ability to obtain and maintain adequate liability and other insurance and their ability to make lease payments and fulfill their insurance and indemnification obligations to us.***

Our tenants and operators may be subject to lawsuits filed by advocacy groups that monitor the quality of care at healthcare facilities or by patients, facility residents or their families. Significant damage awards are possible in cases where neglect has been found. This litigation has increased our tenants' and operators' costs of monitoring and reporting quality of care and has resulted in increases in the cost of liability and medical malpractice insurance. These increased costs may materially adversely affect our tenants' and operators' ability to obtain and maintain adequate liability and other insurance; manage related risk exposures; fulfill their insurance, indemnification and other obligations to us under their leases or property management agreements, as applicable; or make lease payments to us, as applicable. In addition, from time to time, we may be subject to claims brought against us in lawsuits and other legal proceedings arising out of our alleged actions or the alleged actions of our tenants and operators for which such tenants or operators may have agreed to indemnify, defend and hold us harmless. An unfavorable resolution of any such pending or future litigation could materially adversely affect our liquidity, financial condition and results of operations and have a material adverse effect on us in the event that we are not ultimately indemnified by our tenants or operators.

## **Regulatory Risks**

***Required regulatory approvals can delay or prohibit transfers of our healthcare properties, which could result in periods in which we are unable to receive rent for such properties.***

Our tenants are operators of skilled nursing and other healthcare facilities, which operators must be licensed under applicable state law and, depending upon the type of facility, certified or approved as providers under the Medicare and/or Medicaid programs. Prior to the transfer of the operations of such healthcare properties to successor operators, the new operator generally must become licensed under state law and, in certain states, receive change-of-ownership approvals under certificate of need laws (which laws provide for a certification that the state has made a determination that a need exists for the beds located on the applicable property). If applicable, Medicare and Medicaid provider approvals may be needed as well. In the event that an existing lease is terminated or expires and a new tenant is found, then any delays in the new tenant receiving regulatory approvals from the applicable federal, state or local government agencies, or the inability of such tenant to receive

such approvals, may prolong the period during which we are unable to collect the applicable rent. We could also incur substantial additional expenses in connection with any licensing, receivership or change-of-ownership proceedings.

***Environmental compliance costs and liabilities associated with real estate properties owned by us may materially impair the value of those investments.***

As an owner of real property, we or our subsidiaries are subject to various federal, state and local environmental and health and safety laws and regulations. Although we do not currently operate or manage the substantial majority of our properties, we or our subsidiaries may be held primarily or jointly and severally liable for costs relating to the investigation and clean-up of any property where there has been a release or threatened release of a hazardous regulated material as well as other affected properties, regardless of whether we knew of or caused the release. In addition to these costs, which are typically not limited by law or regulation and could exceed an affected property's value, we could be liable for certain other costs, including governmental fines and injuries to persons, property or natural resources. Further, some environmental laws provide for the creation of a lien on a contaminated site in favor of the government as security for damages and any costs the government incurs in connection with such contamination and associated clean-up.

Although we require our operators and tenants to undertake to indemnify us for environmental liabilities they cause, the amount of such liabilities could exceed the financial ability of the tenant or operator to indemnify us. The presence of contamination or the failure to remediate contamination may adversely affect our ability to sell or lease the real estate or to borrow using the real estate as collateral.

### **Investment and Financing Risks**

***We depend on investments in the healthcare property sector, making our profitability more vulnerable to a downturn or slowdown in that specific sector than if we were investing in multiple industries.***

We concentrate our investments in the healthcare property sector. As a result, we are subject to risks inherent to investments in a single industry, in real estate, and specifically in healthcare properties. A downturn or slowdown in the healthcare property sector would have a greater adverse impact on our business than if we had investments in multiple industries. Specifically, a downturn in the healthcare property sector could negatively impact the ability of our tenants, operators and borrowers to meet their obligations to us, as well as the ability to maintain rental and occupancy rates. This could adversely affect our business, financial condition and results of operations. In addition, a downturn in the healthcare property sector could adversely affect the value of our properties and our ability to sell properties at prices or on terms acceptable to us.

***We have substantial indebtedness and have the ability to incur significant additional indebtedness and other liabilities.***

As of December 31, 2020, we had outstanding indebtedness of \$2.4 billion, which consisted of \$1.3 billion of Senior Notes (as defined below), \$1.1 billion in Term Loans (as defined below) and aggregate secured indebtedness to third parties of \$80.2 million on certain of our properties, and we had \$1.0 billion available for borrowing under our Revolving Credit Facility. In addition, as of December 31, 2020, the Enlivant Joint Venture had outstanding indebtedness of \$776.6 million. Our high level of indebtedness may have the following important consequences to us:

- It may increase our cost of borrowing;
- It may limit our ability to obtain additional financing to fund future acquisitions, working capital, capital expenditures or other general corporate requirements;
- It may expose us to the risk of increased interest rates under debt instruments subject to variable rates of interest, such as our Revolving Credit Facility;
- It may adversely impact our credit ratings;
- It may limit our ability to adjust rapidly to changing market conditions and we may be vulnerable in the event of a downturn in general economic conditions or in the real estate and/or healthcare sectors;
- It may place us at a competitive disadvantage against less leveraged competitors;
- It may restrict the way in which we conduct our business because of financial and operating covenants in the agreements governing our existing and future indebtedness;
- It may become more difficult for us to satisfy our obligations (including ongoing interest payments and, where applicable, scheduled amortization payments) with respect to the Senior Notes and our other debt; and
- It may require us to sell assets and properties at an inopportune time.

In addition, the Senior Notes Indentures (as defined below) permit us to incur substantial additional debt, including secured debt (to which the Senior Notes will be effectively subordinated). If we incur additional debt, the related risks described

above could intensify. Furthermore, the Senior Notes Indentures do not impose any limitation on our ability to incur liabilities that are not considered indebtedness under the Senior Notes Indentures.

The impact of any of these potential adverse consequences could have a material adverse effect on our results of operations, financial condition, and liquidity.

***We may be unable to service our indebtedness.***

Our ability to make scheduled payments on and to refinance our indebtedness depends on and is subject to our future financial and operating performance, which in turn is affected by general and regional economic, financial, competitive, business and other factors beyond our control, including the availability of financing in the international banking and capital markets. Our business may fail to generate sufficient cash flow from operations or future borrowings may be unavailable to us under our Revolving Credit Facility or from other sources in an amount sufficient to enable us to service our debt, to refinance our debt or to fund our other liquidity needs. If we are unable to meet our debt obligations or to fund our other liquidity needs, we will need to restructure or refinance all or a portion of our debt. We may be unable to refinance any of our debt, including our Term Loans and any amounts outstanding under our Revolving Credit Facility, on commercially reasonable terms or at all. In particular, our Term Loans and our Revolving Credit Facility will mature prior to the maturity of the majority of the Senior Notes. If we were unable to make payments or refinance our debt or obtain new financing under these circumstances, we would have to consider other options, such as asset sales, equity issuances and/or negotiations with our lenders to restructure the applicable debt. Our Credit Agreement and the Senior Notes Indentures restrict, and market or business conditions may limit, our ability to take some or all of these actions. Any restructuring or refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants that could further restrict our business operations.

***Covenants in our debt agreements restrict our and our subsidiaries' activities and could adversely affect our business.***

Our debt agreements, including the agreement governing our 2027 Notes (as defined below) and the Credit Agreement, contain various covenants that limit our ability and the ability of our subsidiaries to engage in various transactions including:

- Incurring additional secured and unsecured debt;
- Paying dividends or making other distributions on, redeeming or repurchasing capital stock;
- Entering into transactions with affiliates;
- Issuing stock of or interests in subsidiaries;
- Engaging in non-healthcare related business activities;
- Creating restrictions on the ability of certain of our subsidiaries to pay dividends or other amounts to us;
- Selling assets; or
- Effecting a consolidation or merger or selling substantially all of our assets.

The agreement governing our 2027 Notes also restricts us from making certain investments. The indentures governing our 2024 Notes, our 2026 Notes and our 2029 Notes (each as defined below) contain certain of the above restrictions as well. These covenants limit our operational flexibility and could prevent us from taking advantage of business opportunities as they arise, growing our business or competing effectively. In addition, the Credit Agreement requires us to comply with specified financial covenants, which include a maximum leverage ratio, a minimum fixed charge coverage ratio and a minimum tangible net worth ratio, as well as satisfy other financial condition tests. The indentures governing the 2024 Notes and 2029 Notes require us to comply with an unencumbered asset ratio, and the agreement governing our 2027 Notes requires us to comply with specified financial covenants, which include a maximum leverage ratio, a maximum secured debt leverage ratio, a maximum unsecured debt leverage ratio, a minimum fixed charge coverage ratio, a minimum net worth, a minimum unsecured interest coverage ratio and a minimum unencumbered debt yield ratio. Our ability to meet these requirements may be affected by events beyond our control, and we may not meet these requirements.

A breach of any of the covenants or other provisions in our debt agreements could result in an event of default, which, if not cured or waived, could result in such debt becoming immediately due and payable. Further, certain change in control events could result in an event of default under the agreement governing our 2027 Notes. Any of these events of default, in turn, could cause our other debt to become due and payable as a result of cross-acceleration provisions contained in the agreements governing such other debt. We may be unable to maintain compliance with these covenants and, if we fail to do so, we may be unable to obtain waivers from the lenders and holders and/or amend the covenants. In the event that some or all of our debt is accelerated and becomes immediately due and payable, we may not have the funds to repay, or the ability to refinance, such debt.

***An increase in market interest rates could increase our interest costs on borrowings on our Revolving Credit Facility and future debt and could adversely affect our stock price.***

If interest rates increase, so could our interest costs for borrowings on our Revolving Credit Facility and any new debt. This increased cost could make the financing of any acquisition more costly. Rising interest rates could limit our ability to refinance existing debt when it matures or cause us to pay higher interest rates upon refinancing. In addition, an increase in interest rates could decrease the access third parties have to credit, thereby decreasing the amount they are willing to pay for our assets, and consequently limit our ability to reposition our portfolio promptly in response to changes in economic or other conditions.

In addition, increased inflation may have a pronounced negative impact on the interest expense we pay in connection with our outstanding indebtedness and our general and administrative expenses, as these costs could increase at a rate higher than our rents.

***Changes in the method pursuant to which the LIBOR rates are determined and phasing out of LIBOR beginning after 2021 may affect our financial results.***

Our Credit Agreement uses LIBOR as a reference rate for our U.S. dollar Term Loans and Revolving Credit Facility, such that the interest rate applicable to such loans may, at our option, be calculated based on LIBOR. In July 2017, the U.K.'s Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR beginning after the end of 2021. The U.S. Federal Reserve has begun publishing a Secured Overnight Funding Rate, which is intended to replace U.S. dollar LIBOR. Plans for alternative reference rates for other currencies have also been announced. At this time, we cannot predict how markets will respond to these proposed alternative rates or the effect of any changes to LIBOR or the discontinuation of LIBOR. If LIBOR is no longer available or if our lenders have increased costs due to changes in LIBOR, we may experience potential increases in interest rates on our variable rate debt, which could adversely impact our interest expense, results of operations and cash flows. In addition, although not expected, replacing LIBOR with an alternative reference rate for any of our debt (or other changes to our debt in connection with such replacement) could be a taxable event.

***Our ability to raise capital through equity financings is dependent, in part, on the market price of our common stock, which depends on market conditions and other factors affecting REITs generally.***

Our ability to raise capital through equity financings depends, in part, on the market price of our common stock, which in turn depends on fluctuating market conditions and other factors including the following:

- The reputation of REITs and attractiveness of their equity securities in comparison with other equity securities, including securities issued by other real estate companies;
- Our financial performance and that of our tenants;
- Concentrations in our investment portfolio by tenant and property type;
- Concerns about our tenants' financial condition, including as a result of uncertainty regarding reimbursement from governmental and other third-party payor programs;
- Our ability to meet or exceed investor expectations of prospective investment and earnings targets;
- The contents of analyst reports about us and the REIT industry;
- Changes in interest rates on fixed-income securities, which may lead prospective investors to demand a higher annual yield from investments in our common stock;
- Maintaining or increasing our dividend, which is determined by our board of directors and depends on our financial position, results of operations, cash flows, capital requirements, debt covenants (which include limits on distributions by us), applicable law, and other factors as our board of directors deems relevant; and
- Regulatory action and changes in REIT tax laws.

The market value of a REIT's equity securities is generally based upon the market's perception of the REIT's growth potential and its current and potential future earnings and cash distributions. If we fail to meet the market's expectation with regard to future earnings and cash distributions, the market price of our common stock could decline, and our ability to raise capital through equity financings could be materially adversely affected.

***We may be adversely affected by fluctuations in foreign currency exchange rates.***

Our ownership of properties in Canada subjects us to fluctuations in the exchange rate between U.S. dollars and Canadian dollars. Although we have pursued hedging alternatives, by borrowing in Canadian dollar denominated debt and entering into cross currency swaps, to protect against foreign currency fluctuations, no amount of hedging activity can fully insulate us from the risks associated with changes in foreign currency exchange rates, and the failure to hedge effectively against foreign

currency exchange rate risk could materially adversely affect our business, financial position or results of operations. In addition, any income derived from such hedging transactions may not qualify under the 75% gross income test or the 95% gross income test that we must satisfy annually in order to qualify and maintain our status as a REIT.

***We may not be able to sell properties when we desire because real estate investments are relatively illiquid, which could have a material adverse effect on our business, financial position or results of operations.***

Real estate investments generally cannot be sold quickly. In addition, some and potentially substantially all of our properties serve as collateral for our current and future secured debt obligations and cannot readily be sold unless the underlying secured indebtedness is concurrently repaid. We may not be able to vary our portfolio promptly in response to changes in the real estate market. A downturn in the real estate market could materially adversely affect the value of our properties and our ability to sell such properties for acceptable prices or on other acceptable terms. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property or portfolio of properties. These factors and any others that would impede our ability to respond to adverse changes in the performance of our properties could have a material adverse effect on our business, financial position or results of operations.

***We are subject to risks and liabilities in connection with our 49% equity interest in the Enlivant Joint Venture.***

As of December 31, 2020, our investment portfolio included 158 properties owned through the Enlivant Joint Venture. The Enlivant Joint Venture involves risks not present with respect to our wholly owned properties, including the following:

- We may be unable to take specific major actions, or such actions may be delayed, if the counterparty to the Enlivant Joint Venture disagrees with such action, due to arrangements that require us to share decision-making authority over major decisions affecting the ownership or operation of the Enlivant Joint Venture and any property owned by the Enlivant Joint Venture, such as the sale or financing of the property or the making of additional capital contributions for the benefit of the property;
- The counterparty to the Enlivant Joint Venture may take actions with which we disagree;
- Under our joint venture agreement for the Enlivant Joint Venture, the counterparty in the Enlivant Joint Venture has the right to transfer its 51% equity interest in the Enlivant Joint Venture, subject to our right of first offer, and also has the right to require us to sell our interest in the Enlivant Joint Venture in the same transaction pursuant to a drag-along obligation; in the event that the counterparty in the Enlivant Joint Venture wishes to transfer its interest, we would need to decide between acquiring the 51% equity interest at that time or potentially being required to sell some or all of our own 49% equity interest in a sale to a third party;
- Our ability to sell or transfer our interest in the Enlivant Joint Venture on advantageous terms when we so desire may be limited or restricted under the terms of our agreements with the counterparty in the Enlivant Joint Venture;
- We may be required to contribute additional capital if the counterparty in the Enlivant Joint Venture fails to fund its share of required capital contributions;
- Our equity interest in the Enlivant Joint Venture will be adversely impacted if the Enlivant Joint Venture is not able to maintain compliance with the terms of the agreements underlying its indebtedness, the outstanding balance of which indebtedness was \$776.6 million as of December 31, 2020;
- The counterparty to the Enlivant Joint Venture might have economic or other business interests or goals that are inconsistent with our business interests or goals, including with respect to the timing, terms and strategies for investment, which could increase the likelihood of disputes regarding the ownership, management or disposition of the properties owned by the Enlivant Joint Venture;
- Disagreements with the counterparty to the Enlivant Joint Venture could result in litigation or arbitration that increases our expenses, distracts our officers and directors, and disrupts the day-to-day operations of the properties owned by the Enlivant Joint Venture, including by delaying important decisions until the dispute is resolved; and
- We may suffer losses to our investment in the Enlivant Joint Venture as a result of actions taken by the counterparty to the Enlivant Joint Venture.

## **Risks Associated with Our Status as a REIT**

***Our failure to maintain our qualification as a REIT would subject us to U.S. federal income tax, which could adversely affect the value of the shares of our common stock and would substantially reduce the cash available for distribution to our stockholders.***

Our qualification and taxation as a REIT will depend upon our ability to meet on a continuing basis, through actual annual operating results, certain qualification tests set forth in the U.S. federal tax laws. Accordingly, given the complex nature of the rules governing REITs, the ongoing importance of factual determinations, including the potential tax treatment of

investments we make, and the possibility of future changes in our circumstances, no assurance can be given that our actual results of operations for any particular taxable year will satisfy such requirements.

If we fail to qualify as a REIT in any calendar year, we would be required to pay U.S. federal income tax (and any applicable state and local tax) on our taxable income at regular corporate rates, and dividends paid to our stockholders would not be deductible by us in computing our taxable income (although such dividends received by certain non-corporate U.S. taxpayers generally would currently be subject to a preferential rate of taxation). Further, if we fail to qualify as a REIT, we might need to borrow money or sell assets in order to pay any resulting tax. Our payment of income tax would decrease the amount of our income available for distribution to our stockholders. Furthermore, if we fail to maintain our qualification as a REIT, we no longer would be required under U.S. federal tax laws to distribute substantially all of our REIT taxable income to our stockholders. Unless our failure to qualify as a REIT was subject to relief under U.S. federal tax laws, we could not re-elect to qualify as a REIT until the fifth calendar year following the year in which we failed to qualify.

***The 90% distribution requirement will decrease our liquidity and may limit our ability to engage in otherwise beneficial transactions.***

To comply with the 90% taxable income distribution requirement applicable to REITs and to avoid the nondeductible excise tax, we must make distributions to our stockholders. The Senior Notes Indentures permit us to declare or pay any dividend or make any distribution that is necessary to maintain our REIT status if the aggregate principal amount of all outstanding Indebtedness of the Parent and its Restricted Subsidiaries on a consolidated basis at such time is less than 60% of Adjusted Total Assets (as each term is defined in the Senior Notes Indentures) and to make additional distributions if we pass certain other financial tests.

We are required under the Internal Revenue Code of 1986, as amended (the “Code”) to distribute at least 90% of our taxable income, determined without regard to the dividends-paid deduction and excluding any net capital gain, and the Operating Partnership (as defined below) is required to make distributions to us to allow us to satisfy these REIT distribution requirements. However, distributions may limit our ability to rely upon rental payments from our properties or subsequently acquired properties to finance investments, acquisitions or new developments.

Although we anticipate that we generally will have sufficient cash or liquid assets to enable us to satisfy the REIT distribution requirement, it is possible that, from time to time, we may not have sufficient cash or other liquid assets to meet the 90% distribution requirement. This may be due to the timing differences between the actual receipt of income and actual payment of deductible expenses, on the one hand, and the inclusion of that income and deduction of those expenses in arriving at our taxable income, on the other hand. Moreover, the 2017 Tax Act amends the Code such that income must be accrued for U.S. federal income tax purposes no later than when such income is taken into account as revenue in our financial statements, subject to certain exceptions, which could also create timing differences between net taxable income and the receipt of cash attributable to such income. In addition, non-deductible expenses such as principal amortization or repayments or capital expenditures in excess of non-cash deductions also may cause us to fail to have sufficient cash or liquid assets to enable us to satisfy the 90% distribution requirement.

In the event that such an insufficiency occurs, in order to meet the 90% distribution requirement and maintain our status as a REIT, we may have to sell assets at unfavorable prices, borrow at unfavorable terms, make taxable stock dividends, or pursue other strategies. This may require us to raise additional capital to meet our obligations. The terms of our Credit Agreement and the terms of the Senior Notes Indentures may restrict our ability to engage in some of these transactions.

***We could fail to qualify as a REIT if income we receive is not treated as qualifying income, including as a result of one or more of the lease agreements we have entered into or assumed not being characterized as true leases for U.S. federal income tax purposes, which would subject us to U.S. federal income tax at corporate tax rates.***

Under applicable provisions of the Code, we will not be treated as a REIT unless we satisfy various requirements, including requirements relating to the sources of our gross income. Rents received or accrued by us will not be treated as qualifying rent for purposes of these requirements if the lease agreements we have entered into or assumed (as well as any other leases we enter into or assume) are not respected as true leases for U.S. federal income tax purposes and are instead treated as service contracts, joint ventures, loans or some other type of arrangement. In the event that the lease agreements entered into with lessees are not characterized as true leases for U.S. federal income tax purposes, we may fail to qualify as a REIT. In addition, rents received by us from a lessee will not be treated as qualifying rent for purposes of these requirements if we are treated, either directly or under the applicable attribution rules, as owning 10% or more of the lessee’s stock, capital or profits. We will be treated as owning, under the applicable attribution rules, 10% or more of a lessee’s stock, capital or profits at any time that a stockholder owns, directly or under the applicable attribution rules, (a) 10% or more of our common stock and (b) 10% or more of the lessee’s stock, capital or profits. The provisions of our charter restrict the transfer and ownership of our common stock that would cause the rents received or accrued by us from a tenant of ours to be treated as non-qualifying rent for

purposes of the REIT gross income requirements. Nevertheless, there can be no assurance that such restrictions will be effective in ensuring that we will not be treated as related to a tenant of ours. If we fail to qualify as a REIT, we would be subject to U.S. federal income tax (including any applicable minimum tax for taxable years beginning before December 31, 2017) on our taxable income at corporate tax rates, which would decrease the amount of cash available for distribution to holders of our common stock.

***Complying with REIT requirements may cause us to forego otherwise attractive acquisition opportunities or liquidate otherwise attractive investments, which could materially hinder our performance.***

To qualify as a REIT for U.S. federal income tax purposes, we must continually satisfy certain tests, including tests concerning the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. In order to meet these tests, we may be required to forego investments or acquisitions we might otherwise make. Thus, compliance with the REIT requirements may materially hinder our performance.

***The tax imposed on REITs engaging in “prohibited transactions” may limit our ability to engage in transactions which would be treated as sales for federal income tax purposes.***

A REIT’s net income from prohibited transactions is subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business. Although we do not intend to hold any properties that would be characterized as held for sale to customers in the ordinary course of our business, unless a sale or disposition qualifies under certain statutory safe harbors, such characterization is a factual determination and no guarantee can be given that the Internal Revenue Service (“IRS”) would agree with our characterization of our properties or that we will always be able to make use of the available safe harbors.

***If we have significant amounts of non-cash taxable income, we may have to declare taxable stock dividends or make other non-cash distributions, which could cause our stockholders to incur tax liabilities in excess of cash received.***

We currently intend to pay dividends in cash only, and not in-kind. However, if for any taxable year, we have significant amounts of taxable income in excess of available cash flow, we may have to declare dividends in-kind in order to satisfy the REIT annual distribution requirements. We may distribute a portion of our dividends in the form of our stock or our debt instruments. In either event, a holder of our common stock will be required to report dividend income as a result of such distributions even though we distributed no cash or only nominal amounts of cash to such stockholder.

The IRS issued a Revenue Procedure treating certain distributions that are paid by an SEC-registered REIT partly in cash and partly in shares as dividends that would satisfy the REIT annual distribution requirement and qualify for the dividends paid deduction for U.S. federal income tax purposes so long as at least 20% of the total dividend is available in cash. However, if we make such a distribution, U.S. holders would be required to include the full amount of the dividend (i.e., the cash and stock portion) as ordinary income to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. holder may be required to pay income taxes with respect to such dividends in excess of the cash received. If a U.S. holder sells our stock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of the stock at the time of the sale. Furthermore, with respect to non-U.S. holders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, these sales may put downward pressure on the trading price of our stock. No assurance can be given that the IRS will not impose additional requirements in the future with respect to taxable dividends payable in cash and/or stock, including on a retroactive basis, or assert that the requirements for such taxable dividends have not been met.

***Our charter restricts the transfer and ownership of our stock, which may restrict change of control or business combination opportunities in which our stockholders might receive a premium for their shares.***

In order for us to maintain our qualification as a REIT, no more than 50% of the value of our outstanding stock may be owned, directly or constructively, by five or fewer individuals, as defined in the Code. For the purpose of preserving our REIT qualification, our charter prohibits, subject to certain exceptions, beneficial and constructive ownership of more than 9.9% in value or in number of shares, whichever is more restrictive, of our outstanding common stock or more than 9.9% in value of all classes or series of our outstanding stock. The constructive ownership rules are complex and may cause shares of stock owned directly or constructively by a group of related individuals to be constructively owned by one individual or entity. The ownership limits may have the effect of discouraging an acquisition of control of us without the approval of our board of directors.

***We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our common stock.***

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury. Changes to the tax law could materially adversely affect our stockholders. In particular, the 2017 Tax Act significantly reforms the Code with respect to the taxation of both individuals and corporate entities (although certain changes will expire at the end of 2025) and the tax consequences of such changes as they apply to us and our stockholders may differ, in some cases materially, from the consequences under the laws in effect prior to January 1, 2018. In addition, the new presidential administration may propose changes to the tax law that could adversely impact us or our stockholders. We cannot predict with certainty whether, when, in what forms, or with what effective dates, the tax laws applicable to us or our stockholders may be changed.

***Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.***

The maximum income tax rate applicable to “qualified dividends” payable by non-REIT corporations to domestic stockholders taxed at individual rates is currently 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rates. For taxable years after December 31, 2017 and continuing through 2025, the 2017 Tax Act temporarily reduces the maximum individual federal income tax rate from 39.6% to 37% and the effective tax rate on ordinary REIT dividends (i.e., dividends other than capital gain dividends and dividends attributable to certain qualified dividend income received by us) for U.S. holders of our common shares that are individuals, estates or trusts by permitting such holders to claim a deduction in determining their taxable income equal to 20% of any such dividends they receive. Although not adversely affecting the taxation of REITs or dividends payable by REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors who are taxed at individual rates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends treated as qualified dividend income, which could adversely affect the value of the stock of REITs, including our common stock.

***Our ownership of and relationship with any taxable REIT subsidiaries that we have formed or will form will be limited and a failure to comply with the limits would jeopardize our REIT status and may result in the application of a 100% excise tax.***

A REIT may own up to 100% of the stock of one or more taxable REIT subsidiaries (“TRSs”). A TRS may earn income that would not be qualifying income if earned directly by the parent REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation (other than a REIT) of which a TRS directly or indirectly owns securities possessing more than 35% of the total voting power or total value of the outstanding securities of such corporation will automatically be treated as a TRS. Overall, no more than 25% of the value of a REIT’s total assets may consist of stock or securities of one or more TRSs. Under the 2017 Tax Act, such overall limitation on the value of a REIT’s total assets consisting of stock or securities of one or more TRSs was reduced to 20%. A domestic TRS will pay U.S. federal, state and local income tax at regular corporate rates on any income that it earns, but as a result of the enactment of the 2017 Tax Act, as modified by the Coronavirus Aid, Relief, and Economic Security Act enacted in March 2020 (the “CARES Act”), net operating loss (“NOL”) carryforwards of TRS losses arising in taxable years beginning after December 31, 2020 may be deducted only to the extent of 80% of TRS taxable income in the carryforward year (computed without regard to the NOL deduction). In contrast to prior law, which permitted unused NOL carryforwards to be carried back two years and forward 20 years, the 2017 Tax Act, as modified by the CARES Act, provides that losses arising in taxable years ending after December 31, 2020 can no longer be carried back but can be carried forward indefinitely. In addition, for taxable years beginning after December 31, 2017, taxpayers, including TRSs, may be subject to a limitation on their ability to deduct net business interest generally equal to 30% of adjusted taxable income, subject to certain exceptions. However, the CARES Act generally increased the 30% limitation to a 50% limitation for any taxable year beginning in 2019 and 2020. This provision may limit the ability of our TRSs to deduct interest, which could increase their taxable income. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm’s length basis. Any domestic TRS that we have formed or may form will pay U.S. federal, state and local income tax on its taxable income, and its after-tax net income will be available for distribution to us but is not required to be distributed to us unless necessary to maintain our REIT qualification.

**General Risk Factors**

***We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business.***

We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and to manage or support a variety of business processes, including financial transactions and records, personal identifying information, tenant and lease data. We purchase some of our information technology from vendors, on whom our systems depend. We rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential tenant, borrower and operator information, some of which may include individually identifiable information, including information relating to financial accounts. Although we have taken steps to protect the

security of our information systems and the data maintained in those systems, it is possible that our safety and security measures will not be able to prevent the systems' improper functioning or damage, or the improper access or disclosure of personally identifiable information such as in the event of cyber-attacks. Security breaches (including physical or electronic break-ins, computer viruses, phishing attacks, computer denial-of-service attacks, worms, covert introduction of malware to computers and networks, impersonation of authorized users, and efforts to discover and exploit any design flaws, bugs, security vulnerabilities or security weaknesses, as well as intentional or unintentional acts by our team members or other insiders with access privileges, intentional acts of vandalism by third parties and sabotage) can create system disruptions, shutdowns or unauthorized disclosure of confidential information. Any failure to maintain proper function, security and availability of our information systems could interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties and could have a material adverse effect on our business, financial condition and results of operations.

***Provisions of the Maryland General Corporation Law (the "MGCL") and of our charter and bylaws could inhibit a change of control of Sabra or reduce the value of our stock.***

Certain provisions of Maryland law, our charter and our bylaws may have an anti-takeover effect. Sabra is subject to the Maryland business combination statute, which, subject to certain limitations, impose a moratorium on business combinations with "interested stockholders" or affiliates thereof for five years and thereafter impose additional requirements on such business combinations. Our bylaws contain a provision exempting us from the control share provisions of the MGCL, which provide that holders of "control shares" of a corporation (defined as voting shares of stock that, if aggregated with all other shares of stock owned or controlled by the acquirer, would entitle the acquirer to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of issued and outstanding "control shares") have no voting rights except to the extent approved by the stockholders by the affirmative vote of at least two-thirds of all of the votes entitled to be cast on the matter, excluding all interested shares. There can be no assurance that this bylaw provision exempting us from the control share provisions will not be amended or eliminated at any time in the future. Additionally, Title 3, Subtitle 8 of the MGCL permits our Board of Directors, without stockholder approval and regardless of what currently is provided in our charter or bylaws, to implement certain takeover defenses, such as a classified board, some of which we do not have.

We have also adopted other measures that may make it difficult for a third party to obtain control of us, including provisions of our charter authorizing our board of directors (all without stockholder approval) to classify or reclassify shares of our stock in one or more classes or series, to cause the issuance of additional shares of our stock, and to amend our charter to increase or decrease the number of shares of stock that we have authority to issue. Our charter contains transfer and ownership restrictions on the percentage by number and value of outstanding shares of our stock that may be owned or acquired by any stockholder.

Our bylaws require advance notice of stockholder proposals and director nominations. These provisions, as well as other provisions of our charter and bylaws, may delay, defer, or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders.

***Our bylaws provide that the Circuit Court for Baltimore City, Maryland or the United States District Court for the District of Maryland, Baltimore Division will be the sole and exclusive forum for substantially all disputes between our company and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with our company or our directors, officers or other team members.***

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, Baltimore Division, will be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of our company, (ii) any action asserting a claim of breach of any duty owed by any director or officer or other team member of our company to our company or to the stockholders of our company, (iii) any action asserting a claim against our company or any director or officer or other team member of our company arising pursuant to any provision of Maryland law, our charter or our bylaws, or (iv) any action asserting a claim against our company or any director or officer or other team member of our company that is governed by the internal affairs doctrine. This exclusive forum provision is intended to apply to claims arising under Maryland state law and would not apply to claims brought pursuant to the Exchange Act or the Securities Act of 1933, or any other claim for which the federal courts have exclusive jurisdiction. This exclusive forum provision will not relieve us of our duties to comply with the federal securities laws and the rules and regulations thereunder, and our stockholders will not be deemed to have waived our compliance with these laws, rules and regulations.

This exclusive forum provision may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with our company or our directors, officers or other team members, which may discourage lawsuits against our company and our directors, officers and other team members. In addition, stockholders who do bring a claim in the Circuit

Court for Baltimore City, Maryland could face additional litigation costs in pursuing any such claim, particularly if they do not reside in or near Maryland. The Circuit Court for Baltimore City, Maryland may also reach different judgments or results than would other courts, including courts where a stockholder would otherwise choose to bring the action, and such judgments or results may be more favorable to our company than to our stockholders. However, the enforceability of similar exclusive forum provisions in other companies' charters and bylaws has been challenged in legal proceedings, and it is possible that a court could find this type of provision to be inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings. If a court were to find the exclusive forum provision contained in our bylaws to be inapplicable or unenforceable in an action, we might incur additional costs associated with resolving such action in other jurisdictions.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

## ITEM 2. PROPERTIES

As of December 31, 2020, our investment portfolio consisted of 426 real estate properties held for investment (consisting of (i) 287 skilled nursing/transitional care facilities, (ii) 65 Senior Housing - Leased communities, (iii) 47 Senior Housing - Managed communities and (iv) 27 specialty hospitals and other facilities), one investment in a sales-type lease, 18 investments in loans receivable (consisting of (i) one mortgage loan, (ii) one construction loan and (iii) 16 other loans), six preferred equity investments and our 49% equity interest in the Enlivant Joint Venture. As of December 31, 2020, our real estate properties held for investment included 42,059 beds/units, spread across the U.S. and Canada. As of December 31, 2020, the substantial majority of our real estate properties (excluding 47 Senior Housing - Managed communities) were leased under triple-net operating leases with expirations ranging from less than one year to 16 years.

The following table displays the expiration of annualized contractual rental revenues under our lease agreements as of December 31, 2020, net of repositioning reserves, if applicable, by year and property type (dollars in thousands) and, in each case, without giving effect to any renewal options:

	Skilled Nursing/Transitional	Senior Housing - Leased	Specialty Hospitals and Other	Total Annualized Revenues	% of Revenue
2021 <sup>(1)</sup>	\$ —	\$ 501	\$ —	\$ 501	0.1 %
2022	24,724	5,140	—	29,864	7.0 %
2023	9,074	—	—	9,074	2.1 %
2024	21,586	2,397	—	23,983	5.6 %
2025	15,294	3,202	1,308	19,804	4.6 %
2026	28,768	1,317	—	30,085	7.1 %
2027	41,444	—	33,538	74,982	17.6 %
2028	15,086	8,113	4,037	27,236	6.4 %
2029	58,891	5,739	5,691	70,321	16.5 %
2030	13,903	—	2,976	16,879	4.0 %
Thereafter	93,228	23,152	7,007	123,387	29.0 %
<b>Total Annualized Revenues</b>	<b>\$ 321,998</b>	<b>\$ 49,561</b>	<b>\$ 54,557</b>	<b>\$ 426,116</b>	<b>100.0 %</b>

<sup>(1)</sup> All 2021 lease expirations are in the fourth quarter.

We believe that all of our properties are adequately covered by insurance and are suitable for their intended uses as described in “Business—Portfolio of Healthcare Properties” in Part I, Item 1.

## Occupancy Trends

The following table sets forth the occupancy percentages for our properties for the periods indicated:

	Occupancy Percentage <sup>(1)</sup>		
	2020	2019	2018
Skilled Nursing/Transitional Care	77.3 %	82.1 %	82.8 %
Senior Housing - Leased	83.1 %	87.0 %	86.7 %
Specialty Hospitals and Other	75.3 %	71.0 %	76.7 %
Senior Housing - Managed	80.0 %	87.7 %	91.5 %
Unconsolidated Joint Venture Senior Housing - Managed	71.6 %	82.2 %	81.7 %

<sup>(1)</sup> Occupancy percentage represents the facilities’ average operating occupancy for the period indicated and is calculated by dividing the actual census from the period presented by the available beds/units for the same period. Occupancy percentage includes only facilities owned by Sabra as of the end of the respective period for the duration that such facilities were classified as stabilized facilities and excludes facilities for which data is not available or meaningful. Occupancy is only included in periods subsequent to our acquisition and is presented for the trailing twelve month period and one quarter in arrears, except for Senior Housing - Managed, which is presented for the current period on a trailing three month basis. All facility financial performance information was provided by, or derived solely from information provided by, operators/tenants without independent verification by us.

You should not rely upon occupancy percentages, either individually or in the aggregate, to determine the performance of a facility. Other factors that may impact the performance of a facility include the sources of payment, terms of reimbursement and the acuity level of the patients (i.e., the condition of patients that determines the level of skilled nursing and rehabilitation therapy services required).

See “Business—Portfolio of Healthcare Properties” in Part I, Item 1 for further discussion regarding the ownership of our properties and the types of healthcare facilities that comprise our properties.

## Secured Indebtedness

As of December 31, 2020 and 2019, 13 and 16 of our properties held for investment were subject to secured indebtedness to third parties, respectively. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Secured Indebtedness” in Part II, Item 7 for further discussion regarding our secured indebtedness. As of December 31, 2020 and 2019, our secured debt consisted of the following (dollars in thousands):

Interest Rate Type	Principal Balance as of December 31, <sup>(1)</sup>		Weighted Average Interest Rate at December 31, <sup>(2)</sup>		Maturity Date
	2020	2019	2020	2019	
Fixed Rate	\$ 80,199	\$ 114,777	3.39 %	3.67 %	December 2021 - August 2051

<sup>(1)</sup> Principal balance does not include deferred financing costs, net of \$1.1 million and \$1.7 million as of December 31, 2020 and 2019, respectively.

<sup>(2)</sup> Weighted average interest rate includes private mortgage insurance.

## Corporate Office

We are headquartered and have our corporate office in Irvine, California. We lease our corporate office from an unaffiliated third party.

## ITEM 3. LEGAL PROCEEDINGS

For a description of our legal proceedings, see Note 15, “Commitments and Contingencies—Legal Matters” in the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K, which is incorporated by reference in response to this item.

## 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

#### Stockholder Information

Our common stock is listed on The Nasdaq Stock Market LLC and trades on the Nasdaq Global Select Market under the symbol “SBRA.”

At February 17, 2021, we had approximately 4,982 stockholders of record.

We did not repurchase any shares of our common stock during the quarter ended December 31, 2020.

To maintain REIT status, we are required each year to distribute to stockholders at least 90% of our annual REIT taxable income after certain adjustments. All distributions will be made by us at the discretion of our board of directors and will depend on our financial position, results of operations, cash flows, capital requirements, debt covenants (which include limits on distributions by us), applicable law, and other factors as our board of directors deems relevant. For example, while the Senior Notes Indentures and the Credit Agreement permit us to declare and pay any dividend or make any distribution that is necessary to maintain our REIT status, those distributions are subject to certain financial tests under the Senior Notes Indentures, and therefore, the amount of cash distributions we can make to our stockholders may be limited.

Distributions with respect to our common stock and preferred stock can be characterized for federal income tax purposes as taxable ordinary dividends, which may be non-qualified, long-term capital gain, or qualified, non-dividend distributions (return of capital) or a combination thereof. Following is the characterization of our annual cash dividends on common stock and preferred stock per share:

Common Stock	Year Ended December 31,		
	2020	2019	2018
Non-qualified ordinary dividends	\$ 1.0247	\$ 0.9098	\$ 1.0905
Qualified ordinary dividends	0.0155	0.0367	0.0112
Long-term capital gains	—	—	0.2132
Unrecaptured Section 1250	—	—	0.4851
Non-dividend distributions	0.3098	0.8535	—
	<u>\$ 1.3500</u>	<u>\$ 1.8000</u>	<u>\$ 1.8000</u>

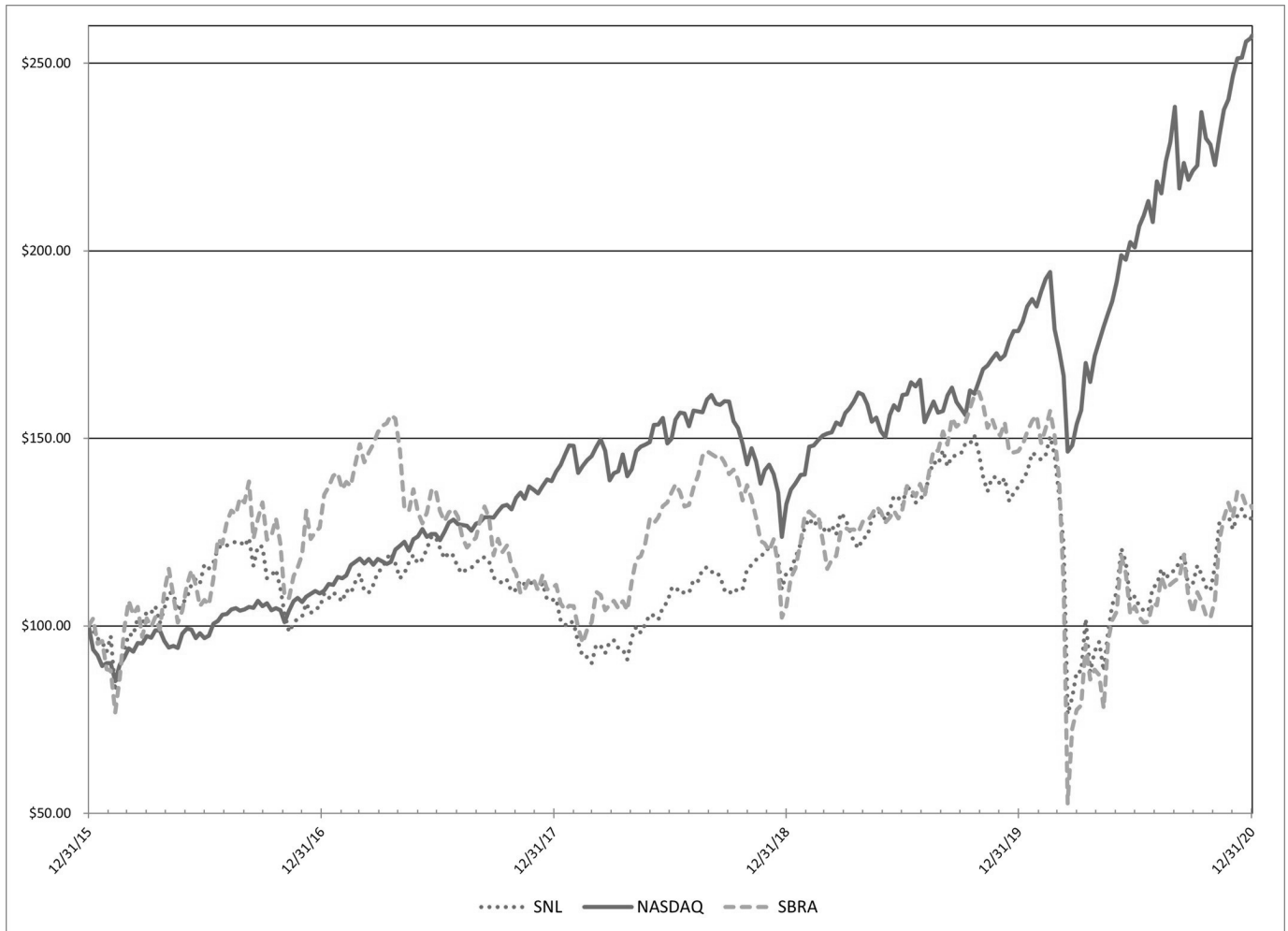
  

Preferred Stock <sup>(1)</sup>	Year Ended
	December 31, 2018
Non-qualified ordinary dividends	\$ 0.4496
Qualified ordinary dividends	0.0047
Long-term capital gains	0.0879
Unrecaptured Section 1250	0.2000
	<u>\$ 0.7422</u>

<sup>(1)</sup> We redeemed all outstanding shares of our Series A Preferred Stock on June 1, 2018. See Note 11, “Equity,” in the Notes to Consolidated Financial Statements for additional information.

## Stock Price Performance Graph

The following graph compares the cumulative total stockholder return of our common stock for the five-year period ending December 31, 2020. The graph assumes that \$100 was invested at the close of market on December 31, 2015 in (i) our common stock, (ii) the Nasdaq Composite Index and (iii) the SNL US Healthcare REIT Index and assumes the reinvestment of all dividends. Stock price performances shown in the graph are not necessarily indicative of future price performances.



*The above performance graph shall not be deemed to be soliciting material or to be filed with the SEC under the Securities Act of 1933 or the Securities Exchange Act of 1934 or incorporated by reference in any document as filed.*

## ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our selected financial data and other data for our company on a historical basis. The following data should be read in conjunction with our audited consolidated financial statements and notes thereto and Management’s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere herein. Our historical operating results may not be comparable to our future operating results. The comparability of our selected financial data is significantly affected by our merger with Care Capital Properties (“CCP”) and our other acquisitions, new investments and dispositions from 2016 through 2020. See Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

	As of December 31,				
	2020	2019	2018	2017	2016
	(Dollars in thousands, except per share data)				
<b>Balance sheet data:</b>					
Total real estate investments, net	\$ 5,285,038	\$ 5,341,370	\$ 5,853,545	\$ 5,994,432	\$ 2,009,939
Loans receivable and other investments, net	\$ 102,839	\$ 107,374	\$ 113,722	\$ 114,390	\$ 96,036
Investment in unconsolidated joint venture	\$ 288,761	\$ 319,460	\$ 340,120	\$ —	\$ —
Cash and cash equivalents	\$ 59,076	\$ 39,097	\$ 50,230	\$ 518,632	\$ 25,663
Total assets	\$ 5,985,603	\$ 6,069,299	\$ 6,665,303	\$ 7,032,277	\$ 2,265,919
Secured debt, net	\$ 79,065	\$ 113,070	\$ 115,679	\$ 256,430	\$ 160,752
Revolving credit facility	\$ —	\$ —	\$ 624,000	\$ 641,000	\$ 26,000
Term loans, net	\$ 1,044,916	\$ 1,040,258	\$ 1,184,930	\$ 1,190,774	\$ 335,673
Senior unsecured notes, net	\$ 1,248,393	\$ 1,248,773	\$ 1,307,394	\$ 1,306,286	\$ 688,246
Total liabilities	\$ 2,576,375	\$ 2,580,839	\$ 3,410,556	\$ 3,595,028	\$ 1,250,310
Total Sabra Health Care REIT, Inc. stockholders’ equity	\$ 3,409,228	\$ 3,488,460	\$ 3,250,414	\$ 3,432,807	\$ 1,015,574
<b>Operating data:</b>					
Total revenues	\$ 598,569	\$ 661,736	\$ 623,409	\$ 408,281	\$ 268,250
Net income attributable to common stockholders	\$ 138,417	\$ 68,996	\$ 269,314	\$ 148,141	\$ 60,034
Net income attributable to common stockholders per share, basic	\$ 0.67	\$ 0.37	\$ 1.51	\$ 1.40	\$ 0.92
Net income attributable to common stockholders per share, diluted	\$ 0.67	\$ 0.37	\$ 1.51	\$ 1.40	\$ 0.92
<b>Other data:</b>					
Cash flows provided by operations	\$ 354,852	\$ 372,475	\$ 360,586	\$ 135,789	\$ 175,928
Cash flows (used in) provided by investing activities	\$ (136,451)	\$ 262,844	\$ (258,494)	\$ (182,560)	\$ 142,363
Cash flows (used in) provided by financing activities	\$ (202,109)	\$ (646,180)	\$ (629,344)	\$ 598,817	\$ (300,898)
Dividends declared and paid per common share	\$ 1.35	\$ 1.80	\$ 1.80	\$ 1.73	\$ 1.67
Weighted-average number of common shares outstanding, basic	206,223,503	187,172,210	178,305,738	105,621,242	65,284,251
Weighted-average number of common shares outstanding, diluted—net income and FFO attributable to common stockholders	207,252,830	188,127,092	178,721,744	105,842,434	65,520,672
Weighted-average number of common shares outstanding, diluted—AFFO attributable to common stockholders	208,039,530	188,775,872	179,338,881	106,074,862	65,904,435
FFO attributable to common stockholders <sup>(1)</sup>	\$ 346,526	\$ 393,310	\$ 355,002	\$ 211,267	\$ 164,439
Diluted FFO attributable to common stockholders per common share <sup>(1)</sup>	\$ 1.67	\$ 2.09	\$ 1.99	\$ 2.00	\$ 2.51
AFFO attributable to common stockholders <sup>(1)</sup>	\$ 361,166	\$ 392,775	\$ 379,037	\$ 242,278	\$ 161,465
Diluted AFFO attributable to common stockholders per common share <sup>(1)</sup>	\$ 1.74	\$ 2.08	\$ 2.11	\$ 2.28	\$ 2.45

<sup>(1)</sup> We believe that net income attributable to common stockholders as defined by U.S. generally accepted accounting principles (“GAAP”) is the most appropriate earnings measure. We also believe that funds from operations attributable to common stockholders (“FFO”), as defined in accordance with the definition used by the National Association of Real Estate Investment Trusts (“Nareit”), and adjusted funds from operations attributable to common stockholders (“AFFO”) (and related per share amounts) are important non-GAAP supplemental measures of our operating performance. We consider FFO and AFFO to be useful measures for reviewing comparative operating and financial performance because, by excluding gains or losses from real estate dispositions and our share of gains or losses from real estate dispositions related to the Enlivant Joint Venture, real estate depreciation and amortization, net of amounts related to noncontrolling interests, plus our share of depreciation and amortization related to the Enlivant Joint Venture, and real estate

impairment charges, and for AFFO, by excluding merger and acquisition costs, stock-based compensation expense, non-cash rental and related revenues, non-cash interest income, non-cash interest expense, non-cash portion of loss on extinguishment of debt, provision for loan losses and other reserves, non-cash lease termination income and deferred income taxes, as well as other non-cash revenue and expense items (including ineffectiveness gain/loss on derivative instruments, and non-cash revenue and expense amounts related to noncontrolling interests) and our share of non-cash adjustments related to the Enlivant Joint Venture, FFO and AFFO can help investors compare our operating performance between periods or as compared to other companies. See further discussion of FFO and AFFO in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Funds from Operations and Adjusted Funds from Operations” in Part II, Item 7.

## **ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

*The discussion below contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those which are discussed in Part I, Item 1A, “Risk Factors.” Also see “Statement Regarding Forward-Looking Statements” preceding Part I.*

*The following discussion and analysis should be read in conjunction with Part II, Item 6, “Selected Financial Data” above and our accompanying consolidated financial statements and the notes thereto.*

Our Management’s Discussion and Analysis of Financial Condition and Results of Operations is organized as follows:

- Overview
- Critical Accounting Policies
- Recently Issued Accounting Standards Update
- Results of Operations
- Liquidity and Capital Resources
- Concentration of Credit Risk
- Skilled Nursing Facility Reimbursement Rates
- Obligations and Commitments
- Impact of Inflation
- Off-Balance Sheet Arrangements
- Quarterly Financial Data

### **Overview**

We expect to grow our investment portfolio while diversifying our portfolio by tenant, facility type and geography within the healthcare sector. We plan to achieve these objectives primarily through making investments directly or indirectly in healthcare real estate, including the development of purpose-built healthcare facilities with select developers. We also intend to achieve our objective of diversifying our portfolio by tenant and facility type through select asset sales and other arrangements with our tenants.

### **COVID-19**

In March 2020, the World Health Organization declared COVID-19 a pandemic, and the United States declared a national emergency with respect to COVID-19. In the intervening months, COVID-19 has spread globally and led governments and other authorities around the world, including federal, state and local authorities in the United States, to impose measures intended to control its spread, including restrictions on freedom of movement and business operations such as travel bans, border closings, business closures, quarantines and shelter-in-place orders. Although some of these governmental restrictions have since been lifted or scaled back, a recent surge of COVID-19 infections has resulted in the re-imposition of certain restrictions and may lead to other restrictions being re-implemented in response to efforts to reduce the spread of COVID-19. In December 2020, distribution of the COVID-19 vaccine began to all 50 states, and while states have the authority over who receives the vaccine, the Centers for Disease Control and Prevention recommended that the initial distribution prioritize healthcare workers and residents of long-term care facilities. However, governmental restrictions may remain in place for a significant amount of time. The ongoing COVID-19 pandemic and measures intended to prevent its spread have negatively impacted and are expected to continue to negatively impact us and our operations in a number of ways, including but not limited to:

- Decreased occupancy and increased operating costs for our tenants and borrowers, which have negatively impacted their operating results and may adversely impact their ability to make full and timely rental payments and debt service payments, respectively, to us. In some cases, we may have to restructure tenants’ long-term rent obligations and may not be able to do so on terms that are as favorable to us as those currently in place. Reduced or modified rental and debt service amounts could result in the determination that the full amounts of our investments are not recoverable, which could result in an impairment charge. To date, the impact of COVID-19 on our skilled nursing/transitional care facility operators has been significantly mitigated by the assistance they have received or expect to receive from state and federal assistance programs, including through the CARES Act (as defined and further described below under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Skilled Nursing Facility Reimbursement Rates” in Part II, Item 7), although these benefits on an

individual operator basis vary and may not provide enough relief to meet their rental obligations to us. As of September 1, 2020, eligible assisted living facility operators may apply for funding through the CARES Act, and the assistance received or expected to be received will partially mitigate the negative impact of COVID-19 on our eligible assisted living facility operators. As of December 31, 2020, our tenants and borrowers have continued to pay expected cash rents and debt service obligations consistent with past practice. However, the longer the duration of the COVID-19 pandemic, the more likely that our tenants and borrowers will begin to default on these obligations. Such defaults could materially and adversely affect our results of operations and liquidity, in addition to resulting in potential impairment charges.

- Decreased occupancy and increased operating costs within our Senior Housing - Managed portfolio and in the Enlivant Joint Venture, which have negatively impacted and are expected to continue to negatively impact the operating results of these investments. As noted above, as of September 1, 2020, eligible assisted living facility operators may apply for funding through the CARES Act, and the assistance received or expected to be received will partially mitigate the negative impact of COVID-19 on our Senior Housing - Managed portfolio and the Enlivant Joint Venture. In addition, on October 1, 2020, the Department of Health and Human Services announced \$20 billion of new funding for assisted living facility operators that have already received funds and to those who were previously ineligible. During the year ended December 31, 2020, we recognized government grants under the CARES Act and other programs of \$5.3 million. Prolonged deterioration in the operating results for our investments in its Senior Housing - Managed portfolio and the Enlivant Joint Venture could result in the determination that the full amounts of our investments are not recoverable, which could result in an impairment charge.

Our financial results as of and for the year ended December 31, 2020 reflect the results of our evaluation of the impact of COVID-19 on our business including, but not limited to, our evaluation of potential impairments of long-lived or other assets, measurement of credit losses on financial instruments, evaluation of any lease modifications, evaluation of lease accounting impact, estimates of fair value and our ability to continue as a going concern.

### ***Acquisitions***

During the year ended December 31, 2020, we acquired three Senior Housing - Leased communities and one Senior Housing - Managed community for an aggregate \$113.7 million. See Note 3, "Recent Real Estate Acquisitions," in the Notes to Consolidated Financial Statements for additional information regarding these acquisitions.

### ***Dispositions***

During the year ended December 31, 2020, we completed the sale of eight skilled nursing/transitional care facilities for aggregate consideration, net of closing costs, of \$50.0 million. The net carrying value of the assets and liabilities of these facilities was \$47.1 million, which resulted in an aggregate \$2.9 million net gain on sale.

### ***Critical Accounting Policies***

Below is a discussion of the accounting policies that management considers critical in that they involve significant management judgments and assumptions, require estimates about matters that are inherently uncertain and because they are important for understanding and evaluating our reported financial results. These judgments affect the reported amounts of assets and liabilities and our disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. With different estimates or assumptions, materially different amounts could be reported in our financial statements. Additionally, other companies may utilize different estimates that may impact the comparability of our results of operations to those of companies in similar businesses. For more information regarding our critical accounting policies, see Note 2, "Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements.

### ***Principles of Consolidation and Basis of Presentation***

The consolidated financial statements include the accounts of Sabra and our wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. The consolidated financial statements are prepared in accordance with GAAP.

GAAP requires us to identify entities for which control is achieved through voting rights or other means and to determine which business enterprise is the primary beneficiary of variable interest entities ("VIEs"). A VIE is broadly defined as an entity with one or more of the following characteristics: (a) the total equity investment at risk is insufficient to finance the entity's activities without additional subordinated financial support; (b) as a group, the holders of the equity investment at risk lack (i) the ability to make decisions about the entity's activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; or (c) the equity investors

have voting rights that are not proportional to their economic interests, and substantially all of the entity's activities either involve, or are conducted on behalf of, an investor that has disproportionately few voting rights. If we were determined to be the primary beneficiary of the VIE, we would consolidate investments in the VIE. We may change our original assessment of a VIE due to events such as modifications of contractual arrangements that affect the characteristics or adequacy of the entity's equity investments at risk and the disposal of all or a portion of an interest held by the primary beneficiary.

We identify the primary beneficiary of a VIE as the enterprise that has both: (i) the power to direct the activities of the VIE that most significantly impact the entity's economic performance; and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could be significant to the entity. We perform this analysis on an ongoing basis.

As it relates to investments in loans, in addition to our assessment of VIEs and whether we are the primary beneficiary of those VIEs, we evaluate the loan terms and other pertinent facts to determine whether the loan investment should be accounted for as a loan or as a real estate joint venture. If an investment has the characteristics of a real estate joint venture, including if we participate in the majority of the borrower's expected residual profit, we would account for the investment as an investment in a real estate joint venture and not as a loan investment. Expected residual profit is defined as the amount of profit, whether called interest or another name, such as an equity kicker, above a reasonable amount of interest and fees expected to be earned by a lender.

As it relates to investments in joint ventures, we assess any limited partners' rights and their impact on the presumption of control of the limited partnership by any single partner. We also apply this guidance to managing member interests in limited liability companies. We reassess our determination of which entity controls the joint venture if: there is a change to the terms or in the exercisability of the rights of any partners or members, the sole general partner or managing member increases or decreases its ownership interests, or there is an increase or decrease in the number of outstanding ownership interests.

### ***Real Estate Investments and Rental Revenue Recognition***

#### ***Real Estate Acquisition Valuation***

All assets acquired and liabilities assumed in an acquisition of real estate accounted for as a business combination are measured at their acquisition date fair values. For acquisitions of real estate accounted for as an asset acquisition, the fair value of consideration transferred by us (including transaction costs) is allocated to all assets acquired and liabilities assumed on a relative fair value basis. The acquisition value of land, building and improvements are included in real estate investments on the consolidated balance sheets. The acquisition value of above market lease, tenant origination and absorption costs and tenant relationship intangible assets is included in lease intangible assets, net on the consolidated balance sheets. The acquisition value of below market lease intangible liabilities is included in lease intangible liabilities, net on the consolidated balance sheets. Acquisition costs associated with real estate acquisitions deemed asset acquisitions are capitalized, and costs associated with real estate acquisitions deemed business combinations are expensed as incurred.

Estimates of the fair values of the tangible assets, identifiable intangibles and assumed liabilities require us to make significant assumptions to estimate market lease rates, property operating expenses, carrying costs during lease-up periods, discount rates, market absorption periods, and the number of years the property will be held for investment. We make our best estimate based on our evaluation of the specific characteristics of each tenant's lease. The use of inappropriate assumptions would result in an incorrect valuation of our acquired tangible assets, identifiable intangibles and assumed liabilities, which would impact the amount of our net income.

#### ***Impairment of Real Estate Investments***

We regularly monitor events and changes in circumstances that could indicate that the carrying amounts of our real estate investments may not be recoverable or realized. When indicators of potential impairment suggest that the carrying value of real estate investments may not be recoverable, we assess the recoverability by estimating whether we will recover the carrying value of our real estate investments through the future cash flows and the eventual disposition of the investment. In some instances, there may be various potential outcomes for an investment and its potential future cash flows. In these instances, the future cash flows used to assess recoverability are based on several assumptions and are probability-weighted based on our best estimates as of the date of evaluation. These assumptions include, among others, cash flow projections, holding period, market capitalization rates, and letters of intent, purchase and sale agreements and recent sales data for comparable properties. When necessary, a discount rate assumption may be used to determine fair value. The assumptions are generally based on management's experience in its local real estate markets, and the effects of current market conditions, which are subject to economic and market uncertainties. If, based on this analysis, we do not believe that we will be able to recover the carrying value of our real estate investments, we would record an impairment loss to the extent that the carrying value exceeds the estimated fair value of our real estate investments.

## *Revenue Recognition*

We recognize rental revenue from tenants, including rental abatements, lease incentives and contractual fixed increases attributable to operating leases, on a straight-line basis over the term of the related leases when it is probable that substantially all rents over the life of a lease are collectible. Certain of our leases provide for contingent rents equal to a percentage of the facility's revenue in excess of specified base amounts or other thresholds. Such revenue is recognized when actual results reported by the tenant, or estimates of tenant results, exceed the applicable base amount or other threshold.

We assess the collectability of rents on a lease-by-lease basis, and in doing so, consider such things as historical bad debts, tenant creditworthiness, current economic trends, facility operating performance, lease structure, credit enhancements (including guarantees), current developments relevant to a tenant's business specifically and to its business category generally, and changes in tenants' payment patterns. Our assessment includes an estimation of a tenant's ability to fulfill all of its rental obligations over the remaining lease term. In addition, with respect to tenants in bankruptcy, management makes estimates of the expected recovery of pre-petition and post-petition claims in assessing the estimated collectability of the related receivable. If at any time we cannot determine that it is probable that substantially all rents over the life of a lease are collectible, rental revenue will be recognized only to the extent of payments received, and all receivables associated with the lease will be written off irrespective of amounts expected to be collectible. Any recoveries of these amounts will be recorded in future periods upon receipt of payment. Write-offs of receivables and any recoveries of previously written-off receivables are recorded as adjustments to rental revenue.

Revenue from resident fees and services is recorded monthly as services are provided and includes resident room and care charges, ancillary services charges and other resident charges.

## ***Loans Receivable and Interest Income***

### *Loans Receivable*

Loans receivable are reflected at amortized cost on our consolidated balance sheets. The amortized cost of a loan receivable is the outstanding unpaid principal balance, net of unamortized discounts, costs and fees directly associated with the origination of the loan.

Loans acquired in connection with a business combination are recorded at their acquisition date fair value. We determine the fair value of loans receivable based on estimates of expected discounted cash flows, collateral, credit risk and other factors. A valuation allowance is not established at the acquisition date, as the amount of estimated future cash flows reflects our judgment regarding their uncertainty. The difference between the acquisition date fair value and the total expected cash flows is recognized as interest income using the effective interest method over the life of the applicable loan. Any unamortized balances are immediately recognized in income if the loan is repaid before its contractual maturity.

On a quarterly basis, we evaluate the collectability of our loan portfolio, including the portion of unfunded loan commitments expected to be funded, and establish an allowance for credit losses. The allowance for credit losses is calculated using the related amortization schedules, payment histories and loan-to-value ratios. The following rates are applied to determine the aggregate expected losses, which is recorded as the allowance for credit losses: (i) a default rate, (ii) a liquidation cost rate and (iii) a distressed property reduction rate. If no loan-to-value ratio is available, a loss severity rate is applied in place of the liquidation cost rate and the distressed property reduction rate. The default rate is based on average charge-off and delinquency rates from the Federal Reserve, and the other rates are based on industry research and historical performance of a similar portfolio of financial assets. The allowance for credit losses is a valuation allowance that reflects management's estimate of losses inherent in the loan portfolio as of the balance sheet date. The reserve is adjusted through provision for loan losses and other reserves on our consolidated statements of income and is decreased by charge-offs to specific loans when losses are confirmed.

### *Interest Income*

Interest income on our loans receivable is recognized on an accrual basis over the life of the investment using the interest method. Direct loan origination costs are amortized over the term of the loan as an adjustment to interest income. When concerns exist as to the ultimate collection of principal or interest due under a loan, the loan is placed on nonaccrual status, and we will not recognize interest income until the cash is received, or the loan returns to accrual status. If we determine that the collection of interest according to the contractual terms of the loan or through the receipts of assets in satisfaction of contractual amounts due is probable, we will resume the accrual of interest. In instances where borrowers are in default under the terms of their loans, we may continue recognizing interest income provided that all amounts owed under the contractual terms of the loan, including accrued and unpaid interest, do not exceed the estimated fair value of the collateral, less costs to sell.

On a quarterly basis, we evaluate the collectability of our interest income receivable and establish a reserve for amounts not expected to be collected. Our evaluation includes reviewing credit quality indicators such as payment status, changes affecting the operations of the facilities securing the loans, and national and regional economic factors. The reserve is a valuation allowance that reflects management's estimate of losses inherent in the interest income receivable balance as of the balance sheet date. The reserve is adjusted through provision for loan losses and other reserves on our consolidated statements of income and is decreased by charge-offs to specific receivables when losses are confirmed.

### ***Preferred Equity Investments and Preferred Return***

Preferred equity investments are accounted for at unreturned capital contributions, plus accrued and unpaid preferred returns. We recognize preferred return income on a monthly basis based on the outstanding investment including any previously accrued and unpaid return. As a preferred member of the preferred equity joint ventures in which we participate, we are not entitled to share in the joint venture's earnings or losses. Rather, we are entitled to receive a preferred return, which is deferred if the cash flow of the joint venture is insufficient to currently pay the accrued preferred return.

We regularly monitor events and changes in circumstances that could indicate that the carrying amounts of our preferred equity investments may not be recoverable or realized. On a quarterly basis, we evaluate our preferred equity investments for impairment based on a comparison of the fair value of the investment to its carrying value. The fair value is estimated based on discounted cash flows that include all estimated cash inflows and outflows over a specified holding period. If, based on this analysis, we do not believe that we will be able to recover the carrying value of our preferred equity investment, we would record an impairment loss to the extent that the carrying value exceeds the estimated fair value of our preferred equity investment.

### ***Income Taxes***

We elected to be treated as a REIT with the filing of our U.S. federal income tax return for the taxable year beginning January 1, 2011. We believe that we have been organized and have operated, and we intend to continue to operate, in a manner to qualify as a REIT. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of our annual REIT taxable income to stockholders (which is computed without regard to the dividends-paid deduction or net capital gains and which does not necessarily equal net income as calculated in accordance with GAAP). As a REIT, we generally will not be subject to federal income tax on income that we distribute as dividends to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax on our taxable income at regular corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for federal income tax purposes for the four taxable years following the year during which qualification is lost, unless the IRS grants us relief under certain statutory provisions. Such an event could materially and adversely affect our net income and net cash available for distribution to stockholders. However, we believe that we are organized and operate in such a manner as to qualify for treatment as a REIT.

As a result of certain investments, we now record income tax expense or benefit with respect to certain of our entities that are taxed as taxable REIT subsidiaries under provisions similar to those applicable to regular corporations and not under the REIT provisions.

We account for deferred income taxes using the asset and liability method and recognize deferred tax assets and liabilities for the expected future tax consequences of events that have been included in our financial statements or tax returns. Under this method, we determine deferred tax assets and liabilities based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Any increase or decrease in the deferred tax liability that results from a change in circumstances, and that causes a change in our judgment about expected future tax consequences of events, is included in the tax provision when such changes occur. Deferred income taxes also reflect the impact of operating loss and tax credit carryforwards. A valuation allowance is provided if we believe it is more likely than not that all or some portion of the deferred tax asset will not be realized. Any increase or decrease in the valuation allowance that results from a change in circumstances, and that causes a change in our judgment about the realizability of the related deferred tax asset, is included in the tax provision when such changes occur.

We evaluate our tax positions using a two-step approach: step one (recognition) occurs when we conclude that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination, and step two (measurement) is only addressed if step one has been satisfied (i.e., the position is more likely than not to be sustained). Under step two, the tax benefit is measured as the largest amount of benefit (determined on a cumulative probability basis) that is more likely than not to be realized upon ultimate settlement. We will recognize tax penalties relating to unrecognized tax benefits as additional tax expense.

## ***Fair Value Measurements***

Under GAAP, we are required to measure certain financial instruments at fair value on a recurring basis. In addition, we are required to measure other financial instruments and balances at fair value on a non-recurring basis (e.g., carrying value of impaired loans receivable and long-lived assets). Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The GAAP fair value framework uses a three-tiered approach. Fair value measurements are classified and disclosed in one of the following three categories:

- Level 1: unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2: quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- Level 3: prices or valuation techniques where little or no market data is available that requires inputs that are both significant to the fair value measurement and unobservable.

When available, we utilize quoted market prices from an independent third-party source to determine fair value and classify such items in Level 1 or Level 2. In instances where the market for a financial instrument is not active, regardless of the availability of a nonbinding quoted market price, observable inputs might not be relevant and could require us to make a significant adjustment to derive a fair value measurement. Additionally, in an inactive market, a market price quoted from an independent third party may rely more on models with inputs based on information available only to that independent third party. When we determine the market for a financial instrument owned by us to be illiquid or when market transactions for similar instruments do not appear orderly, we may use several valuation sources (including internal valuations, discounted cash flow analysis and quoted market prices) to establish a fair value. If more than one valuation source is used, we will assign weights to the various valuation sources. Additionally, when determining the fair value of liabilities in circumstances in which a quoted price in an active market for an identical liability is not available, we measure fair value using (i) a valuation technique that uses the quoted price of the identical liability when traded as an asset or quoted prices for similar liabilities or similar liabilities when traded as assets or (ii) another valuation technique that is consistent with the principles of fair value measurement, such as the income approach or the market approach.

Changes in assumptions or estimation methodologies can have a material effect on these estimated fair values. In this regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, may not be realized in an immediate settlement of the instrument.

We consider the following factors to be indicators of an inactive market: (i) there are few recent transactions, (ii) price quotations are not based on current information, (iii) price quotations vary substantially either over time or among market makers (for example, some brokered markets), (iv) indexes that previously were highly correlated with the fair values of the asset or liability are demonstrably uncorrelated with recent indications of fair value for that asset or liability, (v) there is a significant increase in implied liquidity risk premiums, yields, or performance indicators (such as delinquency rates or loss severities) for observed transactions or quoted prices when compared with our estimate of expected cash flows, considering all available market data about credit and other nonperformance risk for the asset or liability, (vi) there is a wide bid-ask spread or significant increase in the bid-ask spread, (vii) there is a significant decline or absence of a market for new issuances (that is, a primary market) for the asset or liability or similar assets or liabilities, and (viii) little information is released publicly (for example, a principal-to-principal market).

We consider the following factors to be indicators of non-orderly transactions: (i) there was not adequate exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities under current market conditions, (ii) there was a usual and customary marketing period, but the seller marketed the asset or liability to a single market participant, (iii) the seller is in or near bankruptcy or receivership (that is, distressed), or the seller was required to sell to meet regulatory or legal requirements (that is, forced), and (iv) the transaction price is an outlier when compared with other recent transactions for the same or similar assets or liabilities.

## **Recently Issued Accounting Standards Update**

See Note 2, “Summary of Significant Accounting Policies,” in the Notes to Consolidated Financial Statements for information concerning recently issued accounting standards updates.

## Results of Operations

As of December 31, 2020, our investment portfolio consisted of 426 real estate properties held for investment, one investment in a sales-type lease, 18 investments in loans receivable, six preferred equity investments and our 49% equity interest in the Enlivant Joint Venture. As of December 31, 2019, our investment portfolio consisted of 429 real estate properties held for investment, one investment in a direct financing lease, 18 investments in loans receivable, nine preferred equity investments and our 49% equity interest in the Enlivant Joint Venture. In general, we expect that income and expenses related to our portfolio will fluctuate in future periods in comparison to the corresponding prior periods as a result of investment and disposition activity and anticipated future changes in our portfolio. The results of operations presented are not directly comparable due to ongoing acquisition and disposition activity.

A discussion of our results of operations for the year ended December 31, 2018 is included in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Comparison of results of operations for the years ended December 31, 2019 and 2018” section in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2019.

### Comparison of results of operations for the years ended December 31, 2020 and 2019 (dollars in thousands):

	For the Year Ended December 31,		Increase / (Decrease)	Percentage Difference	Variance due to Acquisitions, Originations and Dispositions <sup>(1)</sup>	Remaining Variance <sup>(2)</sup>
	2020	2019				
<b>Revenues:</b>						
Rental and related revenues	\$ 430,584	\$ 452,138	\$ (21,554)	(5)%	\$ (396)	\$ (21,158)
Interest and other income	11,940	81,540	(69,600)	(85)%	(2,071)	(67,529)
Resident fees and services	156,045	128,058	27,987	22 %	8,692	19,295
<b>Expenses:</b>						
Depreciation and amortization	176,737	181,549	(4,812)	(3)%	692	(5,504)
Interest	100,424	126,610	(26,186)	(21)%	(761)	(25,425)
Triple-net portfolio operating expenses	20,590	22,215	(1,625)	(7)%	(1,186)	(439)
Senior housing - managed portfolio operating expenses	110,963	86,257	24,706	29 %	6,372	18,334
General and administrative	32,755	30,886	1,869	6 %	—	1,869
Provision for loan losses and other reserves	1,855	1,238	617	50 %	—	617
Impairment of real estate	4,003	121,819	(117,816)	(97)%	(104,404)	(13,412)
<b>Other income (expense):</b>						
Loss on extinguishment of debt	(531)	(16,340)	15,809	(97)%	(531)	16,340
Other income	2,154	2,094	60	3 %	—	60
Net gain on sales of real estate	2,861	2,300	561	24 %	561	—
Loss from unconsolidated joint venture	(16,599)	(6,796)	(9,803)	144 %	(1,591)	(8,212)
Income tax expense	(710)	(3,402)	2,692	(79)%	—	2,692

<sup>(1)</sup> Represents the dollar amount increase (decrease) for the year ended December 31, 2020 compared to the year ended December 31, 2019 as a result of investments/dispositions made after January 1, 2019.

<sup>(2)</sup> Represents the dollar amount increase (decrease) for the year ended December 31, 2020 compared to the year ended December 31, 2019 that is not a direct result of investments/dispositions made after January 1, 2019.

### Rental and Related Revenues

During the year ended December 31, 2020, we recognized \$430.6 million of rental income compared to \$452.1 million for the year ended December 31, 2019. The \$21.6 million net decrease in rental income is related to (i) a \$17.6 million decrease related to leases that we concluded should no longer be accounted for on an accrual basis, (ii) a \$9.9 million decrease from the 21 Holiday communities and one Senior Housing - Leased community that were transitioned to Senior Housing - Managed communities in April 2019 and November 2019, respectively, and (iii) a \$9.6 million decrease from properties disposed of after January 1, 2019. The \$17.6 million decrease consists of a \$13.6 million decrease in non-cash rental revenues, which includes \$14.3 million in write-offs related to Signature Healthcare and Genesis Healthcare, Inc., whose leases are no longer accounted for on an accrual basis as a result of the going concern issues for these tenants, and a \$4.0 million decrease in earned cash rents.

These amounts were partially offset by (i) a \$9.2 million increase from properties acquired after January 1, 2019 and (ii) a \$3.2 million increase related to property tax recoveries.

Our reported rental and related revenues may be subject to increased variability in the future as a result of adopting Topic 842. However, there can be no assurances regarding the timing and amount of these collections. Amounts due under the terms of all of our lease agreements are subject to contractual increases, and contingent rental income may be derived from certain lease agreements. No material contingent rental income was derived during the years ended December 31, 2020 and 2019.

#### *Interest and Other Income*

Interest and other income primarily consists of income earned on our loans receivable investments, preferred returns earned on our preferred equity investments and income on the sales-type lease. During the year ended December 31, 2020, we recognized \$11.9 million of interest and other income compared to \$81.5 million for the year ended December 31, 2019. The net decrease of \$69.6 million is due to (i) \$66.9 million of income related to the transition of the 21 Holiday communities to our Senior Housing - Managed portfolio in April 2019, consisting of a \$57.2 million lease termination payment and a \$9.7 million gain related to the assumption of fixed assets net of liabilities, and (ii) a \$3.0 million decrease in income from investments that were repaid after January 1, 2019, partially offset by a \$0.9 million increase in income from investments made after January 1, 2019.

#### *Resident Fees and Services*

During the year ended December 31, 2020, we recognized \$156.0 million of resident fees and services compared to \$128.1 million for the year ended December 31, 2019. The \$28.0 million net increase is due to (i) a \$19.6 million increase from the 21 Holiday communities and one Senior Housing - Leased community that were transitioned to Senior Housing - Managed communities in April 2019 and December 2019, respectively, and (ii) a \$8.7 million increase from two Senior Housing - Managed communities acquired after January 1, 2019. Included in resident fees and services is \$1.8 million of government grant income recognized under the CARES Act and other programs during the year ended December 31, 2020.

#### *Depreciation and Amortization*

During the year ended December 31, 2020, we incurred \$176.7 million of depreciation and amortization expense compared to \$181.5 million for the year ended December 31, 2019. The \$4.8 million net decrease is due to (i) a \$5.7 million decrease due to the acceleration of lease intangible amortization related to the transition of the 21 Holiday communities to Senior Housing - Managed communities in April 2019 and (ii) a \$5.1 million decrease from properties disposed of after January 1, 2019, partially offset by a \$5.8 million increase from properties acquired after January 1, 2019.

#### *Interest Expense*

We incur interest expense comprised of costs of borrowings plus the amortization of deferred financing costs related to our indebtedness. During the year ended December 31, 2020, we incurred \$100.4 million of interest expense compared to \$126.6 million for the year ended December 31, 2019. The \$26.2 million net decrease is related to (i) an aggregate \$23.9 million decrease in interest expense related to the redemptions of the 5.5% senior unsecured notes due 2021 (the "2021 Notes") in June 2019 and the 5.375% senior unsecured notes due 2023 (the "2023 Notes") in October 2019, (ii) a \$9.3 million decrease in interest expense related to the borrowings outstanding on the Revolving Credit Facility and decrease in interest rates, (iii) a \$8.0 million decrease in interest expense related to the partial pay down of the U.S. dollar term loans and decrease in interest rates, (iv) a \$1.6 million decrease in non-cash interest expense related to our interest rate hedges and (v) a \$1.0 million decrease in interest expense related to three mortgage notes assumed during 2020 by the buyers of the facilities securing the debt and lower mortgage interest rates, which decreases were partially offset by an aggregate \$17.4 million increase in interest expense related to the issuances of the 2024 Notes and 2029 Notes.

#### *Triple-Net Portfolio Operating Expenses*

During the year ended December 31, 2020, we recognized \$20.6 million of triple-net portfolio operating expenses compared to \$22.2 million for the year ended December 31, 2019. The \$1.6 million net decrease is related to a \$1.2 million decrease related to properties disposed of after January 1, 2019, and the remaining decrease is related to property taxes paid during the year ended December 31, 2020 on facilities that were transitioned to new operators who are now paying the property taxes directly.

#### *Senior Housing - Managed Portfolio Operating Expenses*

During the year ended December 31, 2020, we recognized \$111.0 million of operating expenses compared to \$86.3 million for the year ended December 31, 2019. The \$24.7 million net increase is due to (i) a \$14.5 million increase from the 21

Holiday communities and one Senior Housing - Leased community that were transitioned to Senior Housing - Managed communities in April 2019 and December 2019, respectively, and (ii) a \$6.4 million increase from two Senior Housing - Managed communities acquired after January 1, 2019. The remaining increase is due to increased supplies and labor needs related to the COVID-19 pandemic.

#### *General and Administrative Expenses*

General and administrative expenses include compensation-related expenses as well as professional services, office costs, other costs associated with asset management, and merger and acquisition costs. During the year ended December 31, 2020, general and administrative expenses were \$32.8 million compared to \$30.9 million during the year ended December 31, 2019. The \$1.9 million net increase is related to (i) a \$3.0 million increase in compensation for our team members as a result of increased staffing and certain of our team members electing to receive their annual bonus opportunity in cash and (ii) a \$0.6 million increase in insurance expense due to an increase in premiums, partially offset by a \$1.9 million decrease in stock-based compensation expense which is comprised of (a) a decrease of \$1.6 million as the result of certain of our team members electing to receive their annual bonus opportunity in cash instead of stock and (b) a decrease of \$0.3 million as a result in the reduction in stock price and a change in performance-based vesting assumptions on management's equity compensation. The decrease in stock-based compensation related to certain of our team members electing to receive their annual bonus opportunity in cash instead of stock resulted in a corresponding increase to cash compensation and accordingly no net increase to general and administrative expenses. We expect stock-based compensation expense to fluctuate from period to period depending upon changes in our stock price and estimates associated with performance-based compensation.

#### *Provision for Loan Losses and Other Reserves*

During the year ended December 31, 2020, we recognized a \$1.9 million provision for loan losses and other reserves associated with loan loss reserves. During the year ended December 31, 2019, we recognized a \$1.2 million provision for loan losses and other reserves, all of which was associated with loan loss reserves.

#### *Impairment of Real Estate*

During the year ended December 31, 2020, we recognized \$4.0 million of impairment of real estate related to one skilled nursing/transitional care facility sold during the year and three senior housing communities. During the year ended December 31, 2019, we recognized \$121.8 million of impairment of real estate, consisting of (i) \$95.2 million related to the 30 Senior Care Centers facilities that we sold and one additional Senior Care Centers facility that we transitioned to another operator, which amount included \$10.2 million related to our estimated contractual indemnification obligations, and (ii) \$26.6 million related to six skilled nursing/transitional care facilities that were subsequently sold, and four senior housing communities.

#### *Loss on Extinguishment of Debt*

During the year ended December 31, 2020, we recognized a \$0.5 million loss on extinguishment of debt related to write-offs of deferred financing costs in connection with the sale of three facilities that secured three mortgage notes. During the year ended December 31, 2019, we recognized a \$16.3 million loss on extinguishment of debt, consisting of (i) \$10.1 million in connection with the redemption of the 2021 Notes, including \$6.9 million in payments made to noteholders and legal fees for early redemption and \$3.2 million of write-offs associated with unamortized deferred financing and premium costs, (ii) \$5.6 million in connection with the redemption of the 2023 Notes, including \$3.6 million in payments made to noteholders and legal fees for early redemption and \$2.0 million of write-offs associated with unamortized deferred financing and premium costs and (iii) \$0.6 million related to the write-off of unamortized deferred financing costs in connection with entering into the Credit Agreement.

#### *Other Income*

During the years ended December 31, 2020 and 2019, we recognized \$2.2 million and \$2.1 million, respectively, of other income related to settlement payments received related to legacy CCP investments.

#### *Net Gain on Sales of Real Estate*

During the year ended December 31, 2020, we recognized an aggregate net gain on the sales of real estate of \$2.9 million related to the disposition of eight skilled nursing/transitional care facilities. During the year ended December 31, 2019, we recognized an aggregate net gain on the sales of real estate of \$2.3 million related to the disposition of 39 skilled nursing/transitional care facilities and seven senior housing communities.

### *Loss from Unconsolidated Joint Venture*

During the year ended December 31, 2020, we recognized \$16.6 million of loss from the Enlivant Joint Venture compared to \$6.8 million of loss for the year ended December 31, 2019. The \$9.8 million net increase is related to (i) a \$8.2 million increase in operating expenses from the facilities owned by the Enlivant Joint Venture as of December 31, 2020 primarily due to increased supplies and labor needs related to the COVID-19 pandemic and increased insurance expense, (ii) a \$6.1 million decrease in revenues from the facilities owned by the Enlivant Joint Venture as of December 31, 2020 due to decreases in occupancy, (iii) a \$4.5 million depreciation adjustment related to our basis difference in the Enlivant Joint Venture, (iv) a \$1.6 million increase in loss on sale related to the disposition of the 14 senior housing communities included in the Enlivant Joint Venture's strategic disposition program and (v) a \$0.9 million increase in expenses related to natural disaster recovery, partially offset by (i) a \$6.2 million decrease in interest expense due to a decrease in interest rates, (ii) \$3.5 million of government grant income recognized under the CARES Act and other programs and (iii) a \$1.7 million decrease in deferred income tax due to lower taxable income. See Note 2, "Summary of Significant Accounting Policies—Out of Period Adjustments," in the Notes to Consolidated Financial Statements for additional information.

### *Income Tax Expense*

During the year ended December 31, 2020, we recognized \$0.7 million of income tax expense compared to \$3.4 million for the year ended December 31, 2019. The decrease is due to lower taxable income from Senior Housing - Managed communities.

### ***Funds from Operations and Adjusted Funds from Operations***

We believe that net income attributable to common stockholders as defined by GAAP is the most appropriate earnings measure. We also believe that FFO, as defined in accordance with the definition used by Nareit, and AFFO (and related per share amounts) are important non-GAAP supplemental measures of our operating performance. Because the historical cost accounting convention used for real estate assets requires straight-line depreciation (except on land), such accounting presentation implies that the value of real estate assets diminishes predictably over time. However, since real estate values have historically risen or fallen with market and other conditions, presentations of operating results for a REIT that uses historical cost accounting for depreciation could be less informative. Thus, Nareit created FFO as a supplemental measure of operating performance for REITs that excludes historical cost depreciation and amortization, among other items, from net income attributable to common stockholders, as defined by GAAP. FFO is defined as net income attributable to common stockholders, computed in accordance with GAAP, excluding gains or losses from real estate dispositions and our share of gains or losses from real estate dispositions related to the Enlivant Joint Venture, plus real estate depreciation and amortization, net of amounts related to noncontrolling interests, plus our share of depreciation and amortization related to the Enlivant Joint Venture, and real estate impairment charges. AFFO is defined as FFO excluding merger and acquisition costs, stock-based compensation expense, non-cash rental and related revenues, non-cash interest income, non-cash interest expense, non-cash portion of loss on extinguishment of debt, provision for loan losses and other reserves, non-cash lease termination income and deferred income taxes, as well as other non-cash revenue and expense items (including ineffectiveness gain/loss on derivative instruments, and non-cash revenue and expense amounts related to noncontrolling interests) and our share of non-cash adjustments related to the Enlivant Joint Venture. We believe that the use of FFO and AFFO (and the related per share amounts), combined with the required GAAP presentations, improves the understanding of our operating results among investors and makes comparisons of operating results among REITs more meaningful. We consider FFO and AFFO to be useful measures for reviewing comparative operating and financial performance because, by excluding the applicable items listed above, FFO and AFFO can help investors compare our operating performance between periods or as compared to other companies. While FFO and AFFO are relevant and widely used measures of operating performance of REITs, they do not represent cash flows from operations or net income attributable to common stockholders as defined by GAAP and should not be considered an alternative to those measures in evaluating our liquidity or operating performance. FFO and AFFO also do not consider the costs associated with capital expenditures related to our real estate assets nor do they purport to be indicative of cash available to fund our future cash requirements. Further, our computation of FFO and AFFO may not be comparable to FFO and AFFO reported by other REITs that do not define FFO in accordance with the current Nareit definition or that interpret the current Nareit definition or define AFFO differently than we do.

The following table reconciles our calculations of FFO and AFFO for the years ended December 31, 2020, 2019 and 2018, to net income attributable to common stockholders, the most directly comparable GAAP financial measure, for the same periods (in thousands, except share and per share amounts):

	Year Ended December 31,		
	2020	2019	2018
Net income attributable to common stockholders	\$ 138,417	\$ 68,996	\$ 269,314
Depreciation and amortization of real estate assets	176,737	181,549	191,379
Depreciation and amortization of real estate assets related to noncontrolling interest	—	(93)	(159)
Depreciation and amortization of real estate assets related to unconsolidated joint venture	26,949	21,649	21,253
Net gain on sales of real estate	(2,861)	(2,300)	(128,198)
Net loss on sales of real estate related to unconsolidated joint venture	3,281	1,690	—
Impairment of real estate	4,003	121,819	1,413
<b>FFO attributable to common stockholders</b>	<b>346,526</b>	<b>393,310</b>	<b>355,002</b>
Merger and acquisition costs	483	424	636
Stock-based compensation expense	7,907	9,819	7,648
Non-cash rental and related revenues	(4,458)	(19,449)	(36,443)
Non-cash interest income	(2,351)	(2,212)	(2,300)
Non-cash interest expense	8,418	10,080	10,137
Non-cash portion of loss on extinguishment of debt	531	5,838	874
Provision for loan losses and other reserves	1,855	1,238	40,806
Non-cash lease termination income	—	(10,579)	—
Other non-cash adjustments related to unconsolidated joint venture	1,913	4,135	2,652
Other non-cash adjustments	342	171	25
<b>AFFO attributable to common stockholders</b>	<b>\$ 361,166</b>	<b>\$ 392,775</b>	<b>\$ 379,037</b>
FFO attributable to common stockholders per diluted common share	\$ 1.67	\$ 2.09	\$ 1.99
AFFO attributable to common stockholders per diluted common share	\$ 1.74	\$ 2.08	\$ 2.11
Weighted average number of common shares outstanding, diluted:			
FFO attributable to common stockholders	207,252,830	188,127,092	178,721,744
AFFO attributable to common stockholders	208,039,530	188,775,872	179,338,881

The following table sets forth additional information related to certain other items included in net income attributable to common stockholders above, and the portions of each that are included in FFO and AFFO attributable to common stockholders, which may be helpful in assessing our operating results. Please refer to “—Results of Operations” above for additional information regarding these items (in millions):

	Year Ended December 31,								
	2020	2019	2018	2020	2019	2018	2020	2019	2018
	Net Income			FFO			AFFO		
<b>Rental and related revenues:</b>									
Reduction of revenues related to non-cash receivable balances / lease intangible write-offs	\$ 20.8	\$ 7.4	\$ 11.5	\$ 20.8	\$ 7.4	\$ 11.5	\$ —	\$ —	\$ —
<b>Resident fees and services:</b>									
Grant income under the CARES Act and other programs	1.8	—	—	1.8	—	—	1.8	—	—
<b>Interest and other income:</b>									
Lease termination income	0.3	67.8	—	0.3	67.8	—	0.3	57.2	—
Income on repayment of loan	—	—	0.9	—	—	0.9	—	—	0.9
<b>Interest expense:</b>									
Incremental interest expense related to the redemption of the 2021 and 2023 Notes	—	1.6	—	—	1.6	—	—	1.6	—
<b>Senior housing - managed portfolio operating expenses:</b>									
COVID-19 pandemic related expenses	4.3	—	—	4.3	—	—	4.3	—	—
<b>General and administrative expense:</b>									
Previously anticipated Senior Notes refinancing expenses	—	—	0.6	—	—	0.6	—	—	0.6
CCP transition expenses	0.1	0.2	1.5	0.1	0.2	1.5	0.1	0.2	1.5
Legal fees related to the recovery of previously reserved cash rental income	—	—	0.9	—	—	0.9	—	—	0.9
Merger and acquisition costs	0.5	0.4	0.6	0.5	0.4	0.6	—	—	—
Provision for (recovery of) doubtful accounts	1.9	1.2	39.1	1.9	1.2	39.1	—	—	(1.7)
Loss on extinguishment of debt	0.5	16.3	2.9	0.5	16.3	2.9	—	10.5	2.0
Other income	2.2	2.1	4.5	2.2	2.1	4.5	2.3	2.1	4.4
<b>Loss from unconsolidated joint venture:</b>									
Grant income under the CARES Act and other programs	3.5	—	—	3.5	—	—	3.5	—	—
Deferred income tax expense	0.5	2.3	1.7	0.5	2.3	1.7	—	—	—
COVID-19 pandemic related expenses	6.1	—	—	6.1	—	—	6.1	—	—
<b>Preferred stock dividends:</b>									
Preferred stock redemption charge	—	—	5.5	—	—	5.5	—	—	5.5

## Liquidity and Capital Resources

As of December 31, 2020, we had approximately \$1.1 billion in liquidity, consisting of unrestricted cash and cash equivalents of \$59.1 million and available borrowings under our Revolving Credit Facility of \$1.0 billion. The Credit Agreement also contains an accordion feature that can increase the total available borrowings to \$2.75 billion (from U.S. \$2.0 billion plus CAD \$125.0 million), subject to terms and conditions.

We have filed a shelf registration statement with the SEC that expires in December 2022, which allows us to offer and sell shares of common stock, preferred stock, warrants, rights, units, and certain of our subsidiaries to offer and sell debt securities, through underwriters, dealers or agents or directly to purchasers, on a continuous or delayed basis, in amounts, at prices and on terms we determine at the time of the offering, subject to market conditions.

On December 11, 2019, we established an at-the-market equity offering program (the “ATM Program”), pursuant to which shares of our common stock having an aggregate gross sales price of up to \$400.0 million may be sold from time to time

(i) by us through a consortium of banks acting as sales agents or directly to the banks acting as principals or (ii) by a consortium of banks acting as forward sellers on behalf of any forward purchasers pursuant to a forward sale agreement. During December 2019, we sold 2.9 million shares under the ATM Program at an average price of \$20.86 per share, generating gross proceeds of \$60.0 million, before \$0.2 million of commissions. During the year ended December 31, 2020, we sold 3.7 million shares under the ATM Program at an average price of \$16.23 per share, generating gross proceeds of \$60.0 million, before \$0.9 million of commissions (excluding sales utilizing the forward feature of the ATM Program, as described below).

Additionally, during the year ended December 31, 2020, we utilized the forward feature of the ATM Program to allow for the sale of up to an aggregate sales price of \$45.3 million of our common stock at an initial weighted average price of \$17.44 per share, net of commissions. The forward sale agreement has a one year term during which time we may settle the forward sale by delivery of physical shares of common stock to the forward purchaser or, at our election, in cash or net shares. The forward sale price that we expect to receive upon settlement will be the initial forward price established upon the effective date, subject to adjustments for (i) the forward purchasers' stock borrowing costs and (ii) certain fixed price reductions during the term of the agreement. During the year ended December 31, 2020, we settled 1.4 million shares at a weighted average net price of \$17.45 per share, after commissions, resulting in net proceeds of \$25.0 million. As of December 31, 2020, 1.1 million shares remained outstanding under the forward sale agreement, with an initial weighted average price of \$17.44, net of commissions.

As of December 31, 2020, we had \$234.7 million available under the ATM Program. Subject to market conditions, we expect to use proceeds from our ATM Program to reduce our outstanding indebtedness and to finance future investments in properties.

Based on our current assessment of the impact of the COVID-19 pandemic on our company, we believe that our available cash, operating cash flows and borrowings available to us under our Revolving Credit Facility provide sufficient funds for our operations, scheduled debt service payments and dividend requirements for the next twelve months. In addition, we do not believe that the restrictions under our Senior Notes Indentures (as defined below) or Credit Agreement significantly limit our ability to use our available liquidity for these purposes.

We expect that future investments in properties, including any improvements or renovations of current or newly-acquired properties, will depend on and will be financed, in whole or in part, by our existing cash, borrowings available to us under our Revolving Credit Facility and the proceeds from issuances of common stock (including through our ATM Program), preferred stock, debt or other securities. In addition, we may seek financing from U.S. government agencies, including through Fannie Mae, Freddie Mac and the U.S. Department of Housing and Urban Development, in appropriate circumstances in connection with acquisitions. We also use derivative instruments in the normal course of business to mitigate interest rate and foreign currency risk.

### ***Cash Flows from Operating Activities***

Net cash provided by operating activities was \$354.9 million for the year ended December 31, 2020. Operating cash inflows were derived primarily from the rental payments received under our lease agreements, resident fees and services net of the corresponding operating expenses and interest payments from borrowers under our loan investments. Operating cash outflows consisted primarily of interest payments on borrowings and payment of general and administrative expenses, including corporate overhead. We expect our annualized cash flows provided by operating activities to fluctuate as a result of completed investment and disposition activity, anticipated future changes in our portfolio, fluctuations in collections from tenants and borrowers and fluctuations in the operating results of our Senior Housing - Managed communities.

### ***Cash Flows from Investing Activities***

During the year ended December 31, 2020, net cash used in investing activities was \$136.5 million and included \$92.9 million used in the acquisition of four facilities, \$47.4 million used for additions to real estate, \$20.1 million used to provide funding for a preferred equity investment and \$1.7 million used to provide additional funding for existing loans receivable, partially offset by \$16.8 million in sales proceeds related to the disposition of eight real estate facilities, \$4.1 million in repayments of loans receivable, \$3.4 million in repayments of preferred equity investments and \$1.3 million in distributions in excess of earnings from the Enlivant Joint Venture.

### ***Cash Flows from Financing Activities***

During the year ended December 31, 2020, net cash used in financing activities was \$202.1 million and included \$278.3 million of dividends paid to stockholders, \$3.1 million of principal repayments of secured debt and \$0.8 million of payments of deferred financing costs, partially offset by \$80.1 million of net proceeds from shares sold through our ATM Program, net of payroll tax payments related to the issuance of common stock pursuant to equity compensation arrangements.

Please see the accompanying consolidated statements of cash flows for details of our operating, investing and financing cash activities.

### ***Loan Agreements***

*2024 Notes.* On May 29, 2019, the Operating Partnership and Sabra Capital Corporation, wholly owned subsidiaries of Sabra (the “Issuers”), issued \$300.0 million aggregate principal amount of 4.80% senior notes due 2024 (the “2024 Notes”), providing net proceeds of \$295.3 million after deducting underwriting discounts and other offering expenses. Upon redemption of the 2023 Notes, Sabra Capital Corporation’s obligations as a co-issuer under the 2024 Notes were automatically released and discharged.

*2026 and 2027 Notes.* In connection with our merger with CCP, on August 17, 2017, Sabra assumed \$500 million aggregate principal amount of 5.125% senior notes due 2026 (the “2026 Notes”) and \$100 million aggregate principal amount of 5.38% senior notes due 2027 (the “2027 Notes”).

*2029 Notes.* On October 7, 2019, the Issuers issued \$350.0 million aggregate principal amount of 3.90% senior notes due 2029 (the “2029 Notes” and, together with the 2024 Notes, the 2026 Notes and the 2027 Notes, the “Senior Notes”), providing net proceeds of \$340.5 million after deducting underwriting discounts and other offering expenses. Upon redemption of the 2023 Notes, Sabra Capital Corporation’s obligations as a co-issuer under the 2029 Notes were automatically released and discharged.

See Note 8, “Debt,” in the Notes to Consolidated Financial Statements for additional information concerning the Senior Notes, including information regarding the indentures and agreements governing the Senior Notes (the “Senior Notes Indentures”). As of December 31, 2020, we were in compliance with all applicable covenants under the Senior Notes Indentures.

*Guarantor Financial Information.* The 2024 Notes are issued by the Operating Partnership and fully and unconditionally guaranteed, jointly and severally, by us and one of our non-operating subsidiaries, subject to release under certain customary circumstances as described below. In connection with the Operating Partnership’s assumption of the 2026 Notes, we have fully and unconditionally guaranteed the 2026 Notes, subject to release under certain circumstances as described below. The 2029 Notes are issued by the Operating Partnership and guaranteed, fully and unconditionally, by us.

These guarantees are subordinated to all existing and future senior debt and senior guarantees of the applicable guarantors and are unsecured. We conduct all of our business through and derive virtually all of our income from our subsidiaries. Therefore, our ability to make required payments with respect to our indebtedness (including the Senior Notes) and other obligations depends on the financial results and condition of our subsidiaries and our ability to receive funds from our subsidiaries.

A guarantor will be automatically and unconditionally released from its obligations under the guarantee with respect to the 2024 Notes in the event of:

- Any sale of the subsidiary guarantor or of all or substantially all of its assets;
- A merger or consolidation of the subsidiary guarantor with the Operating Partnership or Sabra, provided that the surviving entity remains a guarantor;
- The requirements for legal defeasance or covenant defeasance or to discharge the indentures governing the 2024 Notes have been satisfied;
- A liquidation or dissolution, to the extent permitted under the indenture governing the 2024 Notes, of the subsidiary guarantor;
- The release or discharge of the guaranty that resulted in the creation of the subsidiary guaranty, except a discharge or release by or as a result of payment under such guaranty; or
- If the subsidiary guarantor is not a guarantor or is not otherwise liable in respect of any obligations under any credit facility (as defined in the indenture governing the 2024 Notes) of us or any of our subsidiaries.

We will be automatically and unconditionally released from our obligations under the guarantee with respect to the 2026 Notes in the event of:

- A liquidation or dissolution, to the extent permitted under the indenture governing the 2026 Notes;
- A merger or consolidation, provided that the surviving entity remains a guarantor; or
- The requirements for legal defeasance or covenant defeasance or to discharge the indenture governing the 2026 Notes have been satisfied.

Pursuant to amendments to Regulation S-X, the following aggregate summarized financial information is provided for Sabra, the Operating Partnership and Sabra Health Care, L.L.C. (the guarantor subsidiary of the 2024 Notes). This aggregate summarized financial information has been prepared from the books and records maintained by us, the Operating Partnership and Sabra Health Care, L.L.C. The aggregate summarized financial information does not include the investments in non-guarantor subsidiaries nor the earnings from non-guarantor subsidiaries and therefore is not necessarily indicative of the results of operations or financial position had the Operating Partnership and Sabra Health Care, L.L.C. operated as independent entities. Intercompany transactions have been eliminated. The aggregate summarized balance sheet information as of December 31, 2020 and 2019 and aggregate summarized statement of loss information for the year ended December 31, 2020 is as follows (in thousands):

	December 31,	
	2020	2019
Total assets	\$ 77,825	\$ 52,597
Total liabilities	2,276,418	2,241,501
	Year Ended December 31, 2020	
Total revenues	57	
Total expenses	117,879	
Net loss	(117,954)	
Net loss attributable to common stockholders	(117,954)	

*Credit Agreement.* Effective on September 9, 2019, Sabra Health Care Limited Partnership, a Delaware limited partnership (the “Operating Partnership”) and Sabra Canadian Holdings, LLC (together, the “Borrowers”), Sabra and the other parties thereto entered into a fifth amended and restated unsecured credit agreement (the “Credit Agreement”).

The Credit Agreement includes a \$1.0 billion revolving credit facility (the “Revolving Credit Facility”), \$955.0 million in U.S. dollar term loans and a CAD \$125.0 million Canadian dollar term loan (collectively, the “Term Loans”). Further, up to \$175.0 million of the Revolving Credit Facility may be used for borrowings in certain foreign currencies. The Credit Agreement also contains an accordion feature that can increase the total available borrowings to \$2.75 billion, subject to terms and conditions.

The Revolving Credit Facility has a maturity date of September 9, 2023, and includes two six-month extension options. \$105.0 million of the U.S. dollar Term Loans has a maturity date of September 9, 2022, \$350.0 million of the U.S. dollar Term Loans has a maturity date of September 9, 2023, and the other Term Loans have a maturity date of September 9, 2024.

The obligations of the Borrowers under the Credit Agreement are fully and unconditionally guaranteed, jointly and severally, on an unsecured basis, by us and one of our non-operating subsidiaries, subject to release under certain customary circumstances.

See Note 8, “Debt,” in the Notes to Consolidated Financial Statements for additional information concerning the Credit Agreement, including information regarding covenants contained in the Credit Agreement. As of December 31, 2020, we were in compliance with all applicable covenants under the Credit Agreement.

### ***Secured Indebtedness***

As of December 31, 2020 and 2019, 13 and 16 of our properties held for investment were subject to secured indebtedness to third parties, respectively. As of December 31, 2020 and December 31, 2019, our secured debt consisted of the following (dollars in thousands):

Interest Rate Type	Principal Balance as of December 31, 2020 <sup>(1)</sup>	Principal Balance as of December 31, 2019 <sup>(1)</sup>	Weighted Average Interest Rate at December 31, 2020 <sup>(2)</sup>	Maturity Date
Fixed Rate	\$ 80,199	\$ 114,777	3.39 %	December 2021 - August 2051

<sup>(1)</sup> Principal balance does not include deferred financing costs, net of \$1.1 million and \$1.7 million as of December 31, 2020 and 2019, respectively.

<sup>(2)</sup> Weighted average interest rate includes private mortgage insurance.

### ***Capital Expenditures***

For the years ended December 31, 2020, 2019 and 2018, our aggregate capital expenditures were \$47.4 million, \$25.5 million, and \$27.7 million, respectively. We anticipate that our aggregate capital expenditure requirements for the next 12

months will principally be for improvements to our facilities and will not exceed \$68 million, of which \$35 million will directly result in incremental rental income.

### ***Dividends***

We paid dividends of \$278.3 million on our common stock during the year ended December 31, 2020. On February 2, 2021, our board of directors declared a quarterly cash dividend of \$0.30 per share of common stock. The dividend will be paid on February 26, 2021 to stockholders of record as of February 12, 2021.

### **Concentration of Credit Risk**

Concentrations of credit risk arise when a number of operators, tenants or obligors related to our investments are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations, including those to us, to be similarly affected by changes in economic conditions. We regularly monitor our portfolio to assess potential concentrations of risks.

Management believes our current portfolio is reasonably diversified across healthcare related real estate and geographical location and does not contain any other significant concentration of credit risks. Our portfolio of 426 real estate properties held for investment as of December 31, 2020 is diversified by location across the U.S. and Canada.

For the year ended December 31, 2020, no tenant relationship represented 10% or more of our total revenues.

### **Skilled Nursing Facility Reimbursement Rates**

For the year ended December 31, 2020 (excluding the one-time lease termination income of \$0.3 million), 53.5% of our revenues was derived directly or indirectly from skilled nursing/transitional care facilities. Medicare reimburses skilled nursing facilities for Medicare Part A services under the Prospective Payment System (“PPS”), as implemented pursuant to the Balanced Budget Act of 1997 and modified pursuant to subsequent laws, most recently the Patient Protection and Affordable Care Act of 2010. PPS regulations predetermine a payment amount per patient, per day, based on a market basket index calculated for all covered costs.

Prior to October 1, 2019, the amount to be paid was determined by classifying each patient into one of 66 Resource Utilization Group (“RUG”) categories that represented the level of services required to treat different conditions and levels of acuity. The system of 66 RUG categories, or Resource Utilization Group version IV (“RUG IV”), became effective as of October 1, 2010. RUG IV resulted from research performed by CMS and was part of CMS’s continuing effort to increase the correlation of the cost of services to the condition of individual patients.

On July 31, 2018, CMS issued a final rule, CMS-1696-F, which includes changes to the case-mix classification system used under the PPS and fiscal year 2019 Medicare payment updates.

CMS-1696-F includes a new case-mix classification system called the skilled nursing facility Patient-Driven Payment Model (“PDPM”) that became effective on October 1, 2019. PDPM reflects significant changes to the Resident Classification System, Version I (“RCS-I”) that was being considered to replace RUG IV as outlined in an Advanced Notice of Proposed Rulemaking released by CMS in May 2017.

PDPM focuses on clinically relevant factors, rather than volume-based service, for determining Medicare payment. PDPM adjusts Medicare payments based on each aspect of a resident’s care, most notably for non-therapy ancillaries, which are items and services not related to the provision of therapy such as drugs and medical supplies, thereby more accurately addressing costs associated with medically complex patients. It further adjusts the skilled nursing facility per diem payments to reflect varying costs throughout the stay and incorporates safeguards against potential financial incentives to ensure that beneficiaries receive care consistent with their unique needs and goals.

On July 31, 2020, CMS released final fiscal year 2021 Medicare rates for skilled nursing facilities providing an estimated net increase of 2.2% over fiscal year 2020 payments (comprised of a market basket increase of 2.2% and no productivity adjustment). The new payment rates became effective on October 1, 2020.

In response to the COVID-19 pandemic, several federal relief packages were approved that could benefit our tenants, especially our tenants that operate skilled nursing/transitional care facilities.

On March 18, 2020, President Trump signed into law the Families First Coronavirus Response Act (“Families First Act”). Under the Families First Act, a temporary 6.2% increase in Federal Medical Assistance Percentages (“FMAP”) was approved retroactive to January 1, 2020, and several states have directed FMAP funds to skilled nursing/transitional care facilities.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The CARES Act provides for a \$175 billion fund for eligible health care providers, which includes skilled nursing/transitional care operators, and as of September 1, 2020 also includes assisted living facility operators. The CARES Act also includes (i) a temporary suspension of 2% Medicare sequestration cut beginning May 1, 2020 through December 31, 2020 with an extension to March 31, 2021, (ii) a deferral of the employer’s Social Security remittances through December 31, 2020, (iii) the establishment of the Paycheck Protection Program, a Small Business Administration loan to businesses with fewer than 500 employees that may be partially forgivable, and (iv) accelerated and advance Medicare payments for certain providers, with deferred repayment obligations that are interest-free for up to 29 months.

In addition to the above, there have been other actions taken that benefit skilled nursing/transitional care operators, including the waiver of the requirement for skilled nursing/transitional care patients to have stayed in a hospital for three days in order for services rendered in a skilled nursing/transitional care facility to qualify for Medicare Part A, the acceleration and advance of three months of Medicare billing, and relaxation of certification requirements for employees performing non-clinical services in these facilities.

The Department of Health and Human Services (“HHS”) extended the COVID-19 Public Health Emergency, most recently effective January 21, 2021, for another 90 days, which allows HHS to continue providing temporary regulatory waivers and new rules to equip skilled nursing facilities and some assisted living operators with flexibility to respond to the COVID-19 pandemic. The extension of the COVID-19 Public Health Emergency also extends the FMAP funding increase through June 30, 2021.

## Obligations and Commitments

The following table summarizes our contractual obligations and commitments in future years, including our secured indebtedness to third parties on certain of our properties, our Revolving Credit Facility, our Term Loans, our Senior Notes and our operating leases. The following table is presented as of December 31, 2020 (in thousands):

	Total	Payments Due During the Years Ending December 31,					
		2021	2022	2023	2024	2025	After 2025
Secured indebtedness <sup>(1)</sup>	\$ 105,349	\$ 20,819	\$ 4,161	\$ 4,161	\$ 4,161	\$ 4,161	\$ 67,886
Revolving Credit Facility <sup>(2)</sup>	6,820	2,535	2,535	1,750	—	—	—
Term Loans <sup>(3)</sup>	1,135,066	26,280	130,474	370,494	607,818	—	—
Senior Notes <sup>(4)</sup>	1,619,170	59,055	59,055	59,055	359,055	44,655	1,038,295
Operating leases	2,452	445	467	507	529	504	—
<b>Total</b>	<b>\$2,868,857</b>	<b>\$ 109,134</b>	<b>\$ 196,692</b>	<b>\$ 435,967</b>	<b>\$ 971,563</b>	<b>\$ 49,320</b>	<b>\$1,106,181</b>

<sup>(1)</sup> Secured indebtedness includes principal payments and interest payments through the applicable maturity dates. Total interest on secured indebtedness, based on contractual rates, is \$25.1 million which is attributable to fixed rate debt.

<sup>(2)</sup> Revolving Credit Facility consists of payments related to the facility fee due to the lenders based on the amount of commitments under the Revolving Credit Facility through the maturity date (assuming no exercise of our two six-month extension options) totaling \$6.8 million.

<sup>(3)</sup> Term Loans includes interest payments through the applicable maturity dates totaling \$82.0 million, which reflects the impact of interest rate swaps.

<sup>(4)</sup> Senior Notes includes interest payments through the applicable maturity dates totaling \$369.2 million.

In addition to the above, as of December 31, 2020, we have committed to provide up to \$2.2 million of future funding related to four loans receivable investments with maturity dates ranging from March 2021 to December 2022.

## Impact of Inflation

Our rental income in future years will be impacted by changes in inflation. Several of our lease agreements provide for an annual rent escalator based on the percentage change in the Consumer Price Index (but not less than zero), subject to minimum or maximum fixed percentages that range from 1.0% to 5.0%.

## Off-Balance Sheet Arrangements

We have a 49% interest in the Enlivant Joint Venture. See Note 2, “Summary of Significant Accounting Policies,” in the Notes to Consolidated Financial Statements for additional information. We have no other off-balance sheet arrangements that we expect would materially affect our liquidity and capital resources.

## Quarterly Financial Data

The following table presents our quarterly financial data. This information has been prepared on a basis consistent with that of our audited consolidated financial statements. Our quarterly results of operations for the periods presented are not necessarily indicative of future results of operations. This unaudited quarterly data should be read together with the accompanying consolidated financial statements and related notes thereto (in thousands, except share and per share amounts).

	For the Year Ended December 31, 2020			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Operating data</b>				
Total revenues	\$ 149,346	\$ 153,917	\$ 143,252	\$ 152,054
Net income attributable to common stockholders	35,217	29,623	36,460	37,117
Net income per common share, basic	0.17	0.14	0.18	0.18
Net income per common share, diluted	0.17	0.14	0.18	0.18
<b>Other data</b>				
Cash flows provided by operations	\$ 74,819	\$ 93,786	\$ 96,850	\$ 89,397
Cash flows used in investing activities	(69,824)	(29,144)	(31,550)	(5,933)
Cash flows provided by (used in) financing activities	8,948	(90,547)	(60,402)	(60,108)
Weighted-average number of common shares outstanding, basic	205,395,330	205,593,653	205,791,699	208,101,883
Weighted-average number of common shares outstanding, diluted:				
Net income and FFO	206,006,285	206,219,162	206,727,167	209,322,132
AFFO	206,509,513	207,003,252	207,523,386	209,983,245
FFO attributable to common stockholders <sup>(1)</sup>	\$ 86,916	\$ 88,123	\$ 83,962	\$ 87,525
FFO attributable to common stockholders per diluted common share <sup>(1)</sup>	0.42	0.43	0.41	0.42
AFFO attributable to common stockholders <sup>(1)</sup>	91,842	87,274	94,804	87,246
AFFO attributable to common stockholder per diluted common share <sup>(1)</sup>	0.44	0.42	0.46	0.42
<b>Reconciliation of FFO and AFFO</b>				
Net income attributable to common stockholders	\$ 35,217	\$ 29,623	\$ 36,460	\$ 37,117
Depreciation and amortization of real estate assets	44,168	44,202	44,209	44,158
Depreciation and amortization of real estate assets related to unconsolidated joint venture	5,585	5,549	10,391	5,424
Net loss (gain) on sales of real estate	217	(330)	(2,715)	(33)
Net loss (gain) on sales of real estate related to unconsolidated joint venture	1,729	9,079	(7,537)	10
Impairment of real estate	—	—	3,154	849
<b>FFO attributable to common stockholders</b>	<b>86,916</b>	<b>88,123</b>	<b>83,962</b>	<b>87,525</b>
Merger and acquisition costs	159	269	5	50
Stock-based compensation expense	2,360	2,375	916	2,256
Non-cash rental and related revenues	(365)	(6,202)	7,907	(5,798)
Non-cash interest income	(561)	(574)	(608)	(608)
Non-cash interest expense	2,233	2,225	2,069	1,891
Non-cash portion of loss on extinguishment of debt	—	392	139	—
Provision for loan losses and other reserves	667	129	(90)	1,149
Other non-cash adjustments related to unconsolidated joint venture	539	404	394	576
Other non-cash adjustments	(106)	133	110	205
<b>AFFO attributable to common stockholders</b>	<b>\$ 91,842</b>	<b>\$ 87,274</b>	<b>\$ 94,804</b>	<b>\$ 87,246</b>

For the Year Ended December 31, 2019

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Operating data</b>				
Total revenues	\$ 136,773	\$ 219,366	\$ 149,834	\$ 155,763
Net (loss) income attributable to common stockholders	(77,704)	83,677	23,282	39,741
Net (loss) income per common share, basic	(0.44)	0.46	0.12	0.20
Net (loss) income per common share, diluted	(0.44)	0.46	0.12	0.20
<b>Other data</b>				
Cash flows provided by operations	\$ 53,959	\$ 137,919	\$ 85,103	\$ 95,494
Cash flows provided by (used in) investing activities	6,347	311,535	(19,337)	(35,701)
Cash flows used in financing activities	(87,474)	(424,770)	(83,489)	(50,447)
Weighted-average number of common shares outstanding, basic	178,385,984	181,567,464	190,650,400	197,840,180
Weighted-average number of common shares outstanding, diluted:				
Net (loss) income	178,385,984	182,254,100	191,952,389	199,048,481
FFO	178,936,854	182,254,100	191,952,389	199,048,481
AFFO	179,709,444	183,007,434	192,590,320	199,496,049
FFO attributable to common stockholders <sup>(1)</sup>	\$ 77,175	\$ 139,398	\$ 85,784	\$ 90,953
FFO attributable to common stockholders per diluted common share <sup>(1)</sup>	0.43	0.76	0.45	0.46
AFFO attributable to common stockholders <sup>(1)</sup>	83,165	132,374	87,656	89,580
AFFO attributable to common stockholder per diluted common share <sup>(1)</sup>	0.46	0.72	0.46	0.45
<b>Reconciliation of FFO and AFFO</b>				
Net (loss) income attributable to common stockholders	\$ (77,704)	\$ 83,677	\$ 23,282	\$ 39,741
Depreciation and amortization of real estate assets	44,949	49,476	43,092	44,032
Depreciation and amortization of real estate assets related to noncontrolling interests	(40)	(39)	(14)	—
Depreciation and amortization of real estate assets related to unconsolidated joint venture	5,316	5,347	5,439	5,547
Net loss (gain) on sales of real estate	1,520	(2,755)	19	(1,084)
Net loss on sales of real estate related to unconsolidated joint venture	—	1,690	—	—
Impairment of real estate	103,134	2,002	13,966	2,717
<b>FFO attributable to common stockholders</b>	<b>77,175</b>	<b>139,398</b>	<b>85,784</b>	<b>90,953</b>
Merger and acquisition costs	6	56	130	232
Stock-based compensation expense	2,775	2,795	3,259	990
Non-cash rental and related revenues	(1,164)	(6,843)	(4,958)	(6,484)
Non-cash interest income	(562)	(563)	(555)	(532)
Non-cash interest expense	2,561	2,762	2,523	2,234
Non-cash portion of loss on extinguishment of debt	—	3,224	642	1,972
Provision for loan losses and other reserves	1,207	193	57	(219)
Non-cash lease termination income	—	(9,725)	—	(854)
Other non-cash adjustments related to unconsolidated joint venture	1,115	1,031	777	1,212
Other non-cash adjustments	52	46	(3)	76
<b>AFFO attributable to common stockholders</b>	<b>\$ 83,165</b>	<b>\$ 132,374</b>	<b>\$ 87,656</b>	<b>\$ 89,580</b>

<sup>(1)</sup> We believe that net income attributable to common stockholders as defined by GAAP is the most appropriate earnings measure. We also believe that FFO, as defined in accordance with the definition used by Nareit, and AFFO (and related per share amounts) are important non-GAAP supplemental measures of our operating performance. We consider FFO and AFFO to be useful measures for reviewing comparative operating and financial performance because, by excluding gains or losses from real estate dispositions and our share of gains or losses from real estate dispositions related to the Enlivant Joint Venture, real estate depreciation and amortization, net of amounts related to noncontrolling interests, plus our share of depreciation and amortization related to the Enlivant Joint Venture, and real estate impairment charges, and for AFFO, by excluding merger and acquisition costs, stock-based compensation expense, non-cash rental and related revenues, non-cash interest income, non-cash interest expense, non-cash portion of loss on extinguishment of debt, provision for loan losses and other reserves, non-cash lease termination income and deferred income taxes, as well as other non-cash revenue and expense items (including

ineffectiveness gain/loss on derivative instruments, and non-cash revenue and expense amounts related to noncontrolling interests) and our share of non-cash adjustments related to the Enlivant Joint Venture, FFO and AFFO can help investors compare our operating performance between periods or as compared to other companies. See “—Results of Operations—Funds from Operations and Adjusted Funds from Operations” for further discussion of FFO and AFFO.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various market risks, primarily related to adverse changes in interest rates and the exchange rate for Canadian dollars. We use derivative instruments in the normal course of business to mitigate interest rate and foreign currency risk. We do not use derivative financial instruments for speculative or trading purposes. See Note 9, “Derivative and Hedging Instruments,” in the Notes to Consolidated Financial Statements for further discussion of our derivative instruments.

*Interest rate risk.* As of December 31, 2020, our indebtedness included \$1.3 billion aggregate principal amount of Senior Notes outstanding, \$1.1 billion in Term Loans and \$80.2 million of secured indebtedness to third parties on certain of the properties that our subsidiaries own. As of December 31, 2020, we had \$1.1 billion of outstanding variable rate indebtedness and \$1.0 billion available for borrowing under our Revolving Credit Facility. Additionally, as of December 31, 2020, our proportionate share of the Enlivant Joint Venture debt was \$380.5 million, all of which was variable rate indebtedness.

We expect to manage our exposure to interest rate risk by maintaining a mix of fixed and variable rates for our indebtedness. We also may manage, or hedge, interest rate risks related to our borrowings through interest rate swap and collar agreements. As of December 31, 2020, we had interest rate swaps and an interest rate collar that fix the LIBOR portion of the interest rate for \$845.0 million of LIBOR-based borrowings under the U.S. dollar Term Loans at a weighted average rate of 1.24% and an interest rate swap that fixes the Canadian Dollar Offered Rate (“CDOR”) portion of the interest rate for CAD \$125.0 million at 0.93%. Additionally, as of December 31, 2020, we had forward starting swaps related to the anticipated future issuance of \$250.0 million of debt with an effective date of May 2024. The forward starting swaps have a weighted average rate of 0.97% and were entered into to hedge our exposure to the benchmark rate for the anticipated future debt issuance.

As of December 31, 2020, our share of the Enlivant Joint Venture debt included \$375.5 million of LIBOR-based borrowings subject to interest rate cap agreements that cap the LIBOR portion of the interest rate at a weighted average rate of 2.88%.

From time to time, we may borrow under the Revolving Credit Facility to finance future investments in properties, including any improvements or renovations of current or newly acquired properties, or for other purposes. Because borrowings under the Revolving Credit Facility bear interest on the outstanding principal amount at a rate equal to an applicable interest margin plus, at our option, either (a) LIBOR or (b) a base rate determined as the greater of (i) the federal funds rate plus 0.5%, (ii) the prime rate, and (iii) one-month LIBOR plus 1.0%, the interest rate we will be required to pay on any such borrowings will depend on then applicable rates and may vary. An increase in interest rates could make the financing of any investment by us more costly. Rising interest rates could also limit our ability to refinance our debt when it matures or cause us to pay higher interest rates upon refinancing and increase interest expense on refinanced indebtedness.

As of December 31, 2020, the index underlying our variable rate debt and our share of the Enlivant Joint Venture debt was below 100 basis points. Assuming a 100 basis point increase in the index or a reduction of this index to zero, and after giving effect to the impact of interest rate derivative instruments, net income would decrease by \$4.9 million or increase by \$0.7 million, respectively, for the twelve months following December 31, 2020.

*Foreign currency risk.* We are exposed to changes in foreign exchange rates as a result of our investments in Canadian real estate. Our foreign currency exposure is partially mitigated through the use of Canadian dollar denominated debt totaling CAD \$145.5 million and cross currency swap instruments. Based on our operating results for the three months ended December 31, 2020, if the value of the Canadian dollar relative to the U.S. dollar were to increase or decrease by 10% compared to the average exchange rate during the three months ended December 31, 2020, our cash flows would have decreased or increased, as applicable, by \$0.1 million.

The table below summarizes the book values and the weighted-average interest rates of our indebtedness by type as of December 31, 2020, based on the maturity dates (dollars in thousands):

	Maturity						Total Book Value <sup>(1)</sup>	Total Fair Value
	2021	2022	2023	2024	2025	Thereafter		
Secured Indebtedness	\$ 18,419	\$ 2,412	\$ 2,478	\$ 2,545	\$ 2,615	\$ 51,730	\$ 80,199	\$ 79,326
Weighted average effective interest rate	3.39 %	3.32 %	3.33 %	3.34 %	3.36 %	3.71 %	3.39 %	
Term Loans	\$ —	\$ 105,000	\$ 350,000	\$ 598,100	\$ —	\$ —	\$ 1,053,100	\$ 1,053,100
Weighted average effective interest rate	—	2.59 %	2.66 %	2.12 %	—	—	2.35 %	
Senior Notes	\$ —	\$ —	\$ —	\$ 300,000	\$ —	\$ 950,000	\$ 1,250,000	\$ 1,362,678
Weighted average effective interest rate	—	—	—	4.80 %	—	4.75 %	4.76 %	

<sup>(1)</sup> Total book value for secured indebtedness and Term Loans does not include deferred financing costs, net of \$1.1 million and \$8.2 million, respectively, as of December 31, 2020. Total book value for Senior Notes does not include premium, net of \$6.4 million and deferred financing costs, net of \$8.0 million as of December 31, 2020.

<sup>(2)</sup> Term loans include \$845.0 million subject to swap agreements that fix LIBOR at a weighted average rate of 1.24%, and \$98.1 million (CAD \$125.0 million) subject to a swap agreement that fixes CDOR at 0.93%. Excluding these amounts, variable rate debt was 17.7% of total debt as of December 31, 2020.

For a discussion of the interest rate risks related to the current capital and credit markets, see Part I, Item 1A, “Risk Factors.”

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the Index to Financial Statements at page F-1 of this 10-K. See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Quarterly Financial Data” in Part II, Item 7.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

As of the end of the period covered by this report, management, including our chief executive officer and chief financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based upon, and as of the date of, the evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2020 to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

### Management’s Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a–15(f) and 15d–15(f). Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria described in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on our evaluation using the criteria described in Internal Control—Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2020.

The effectiveness of our internal control over financial reporting as of December 31, 2020 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **ITEM 9B. OTHER INFORMATION**

None.

## **PART III**

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE**

Except as provided below, the information required under Item 10 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2020 in connection with our 2021 Annual Meeting of Stockholders.

#### **Code of Conduct and Ethics**

We have adopted a Code of Conduct and Ethics that applies to all of our directors and team members, including our principal executive officer and principal financial officer. Our Code of Conduct and Ethics can be found in the Investors—Corporate Governance section of our website at [www.sabrahealth.com](http://www.sabrahealth.com). Waivers from, and amendments to, our Code of Conduct and Ethics that apply to our directors, executive officers or persons performing similar functions will be timely posted in the Investors—Corporate Governance section of our website at [www.sabrahealth.com](http://www.sabrahealth.com) to the extent required by applicable rules of the Securities and Exchange Commission or the Nasdaq Stock Market LLC.

### **ITEM 11. EXECUTIVE COMPENSATION**

The information required under Item 11 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2020 in connection with our 2021 Annual Meeting of Stockholders.

### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required under Item 12 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2020 in connection with our 2021 Annual Meeting of Stockholders.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

The information required under Item 13 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2020 in connection with our 2021 Annual Meeting of Stockholders.

### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required under Item 14 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2020 in connection with our 2021 Annual Meeting of Stockholders.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

**(a) Documents filed as part of this 10-K:**

**(1) Financial Statements**

See the Index to Consolidated Financial Statements at page F-1 of this report.

**(2) Financial Statement Schedules**

The following financial statement schedules are included herein at pages F-39 through F-58 of this report:

Schedule II - Valuation and Qualifying Accounts for the years ended December 31, 2020, 2019 and 2018

Schedule III - Real Estate Assets and Accumulated Depreciation as of December 31, 2020

Schedule IV - Mortgage Loans on Real Estate as of December 31, 2020

**(3) Exhibits**

The following exhibits are filed herewith or are incorporated by reference, as specified below, to exhibits previously filed with the SEC.

## EXHIBIT LIST

Ex.	Description
3.1	Articles of Amendment and Restatement of Sabra Health Care REIT, Inc., dated October 20, 2010, filed with the State Department of Assessments and Taxation of the State of Maryland on October 21, 2010 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed by Sabra Health Care REIT, Inc. on October 26, 2010).
3.1.1	Articles of Amendment of Sabra Health Care REIT, Inc., dated as of July 31, 2017 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed by Sabra Health Care REIT, Inc. on July 31, 2017).
3.2	Amended and Restated Bylaws of Sabra Health Care REIT, Inc. (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed by Sabra Health Care REIT, Inc. on December 21, 2020).
4.1*	Description of Sabra Health Care REIT, Inc.'s Capital Stock.
4.2	Indenture, dated as of May 23, 2013, among Sabra Health Care Limited Partnership, Sabra Capital Corporation, Sabra Health Care REIT, Inc., and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K filed by Sabra Health Care REIT, Inc. on May 23, 2013).
4.2.1	Eighth Supplemental Indenture, dated May 29, 2019, among Sabra Health Care Limited Partnership, Sabra Capital Corporation, Sabra Health Care REIT, Inc., the other guarantors named therein, and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.2 of the Current Report on Form 8-K filed by Sabra Health Care REIT, Inc. on May 29, 2019).
4.2.2	Ninth Supplemental Indenture, dated October 7, 2019, among Sabra Health Care Limited Partnership, Sabra Capital Corporation, Sabra Health Care REIT, Inc. and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.2 of the Current Report on Form 8-K filed by Sabra Health Care REIT, Inc. on October 7, 2019).
4.3	Form of 4.80% senior note due 2024 (included in Exhibit 4.2.1).
4.4	Form of 3.90% senior note due 2029 (included in Exhibit 4.2.2).
4.5	Indenture, dated as of July 14, 2016, by and among Care Capital Properties, LP, Care Capital Properties, Inc., Care Capital Properties GP, LLC and Regions Bank, as trustee (incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K filed by Sabra Health Care REIT, Inc. on August 23, 2017).
4.5.1	First Supplemental Indenture, dated as of August 17, 2017, by and among Care Capital Properties, LP, PR Sub, LLC, Care Capital Properties GP, LLC and Regions Bank, as trustee (incorporated by reference to Exhibit 4.2 of the Current Report on Form 8-K filed by Sabra Health Care REIT, Inc. on August 23, 2017).
4.5.2	Second Supplemental Indenture, dated as of August 17, 2017, by and among Sabra Health Care Limited Partnership as successor to Care Capital Properties, LP, Sabra Health Care REIT, Inc., Care Capital Properties GP, LLC and Regions Bank, as trustee (incorporated by reference to Exhibit 4.3 of the Current Report on Form 8-K filed by Sabra Health Care REIT, Inc. on August 23, 2017).
4.5.3	Third Supplemental Indenture, dated as of August 17, 2017, by and among Sabra Health Care Limited Partnership, Sabra Health Care REIT, Inc., Care Capital Properties GP, LLC and Regions Bank, as trustee (incorporated by reference to Exhibit 4.4 of the Current Report on Form 8-K filed by Sabra Health Care REIT, Inc. on August 23, 2017).
4.5.4	Fourth Supplemental Indenture, dated as of August 18, 2017, by and among Sabra Health Care Limited Partnership, Sabra Health Care REIT, Inc. and Regions Bank, as trustee (incorporated by reference to Exhibit 4.5 of the Current Report on Form 8-K filed by Sabra Health Care REIT, Inc. on August 23, 2017).
4.6	Form of 5.125% senior note due 2026 (included in Exhibit 4.5.1).
4.7	Form of Indenture for Senior Debt Securities (incorporated by reference to Exhibit 4.7 of the Registration Statement on Form S-3 filed by Sabra Health Care REIT, Inc. and Sabra Health Care Limited Partnership on December 11, 2019).
10.1	Limited Partnership Agreement of Sabra Health Care Limited Partnership, dated as of November 15, 2010 (incorporated by reference to Exhibit 3.4 of the Registration Statement on Form S-4 (File No. 333-171820) filed by the issuers and guarantors on January 21, 2011).
10.1.1	First Amendment to the Limited Partnership Agreement by Sabra Health Care REIT, Inc. and Sabra Health Care, LLC, dated March 21, 2013 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed by Sabra Health Care REIT, Inc. on March 21, 2013).

Ex.	Description
10.2	Fifth Amended and Restated Credit Agreement, dated September 9, 2019, among Sabra Health Care Limited Partnership and Sabra Canadian Holdings, LLC, as Borrowers; Sabra Health Care REIT, Inc., as a guarantor; the other guarantors party thereto; the lenders party thereto; Bank of America, N.A., as Administrative Agent and L/C Issuer; Citizens Bank, National Association, Crédit Agricole Corporate and Investment Bank and Wells Fargo Bank, National Association, as Co-Syndication Agents and L/C Issuers; BMO Harris Bank, N.A., The Bank of Nova Scotia, MUFG Bank, Ltd., Barclays Bank PLC, Citibank, N.A., BBVA USA, Fifth Third Bank, JPMorgan Chase Bank, N.A., Morgan Stanley Senior Funding, Inc., Sumitomo Mitsui Banking Corporation and Suntrust Bank, as Co-Documentation Agents; BofA Securities, Inc., as Joint Lead Arranger and Sole Bookrunner; and Citizens Bank, National Association, Crédit Agricole Corporate and Investment Bank and Wells Fargo Securities, LLC, as Joint Lead Arrangers (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed by Sabra Health Care REIT, Inc. on September 11, 2019).
10.3	Form of Indemnification Agreement entered into with each of the directors and officers of Sabra Health Care REIT, Inc. (incorporated by reference to Exhibit 10.5 of the Current Report on Form 8-K filed by Sabra Health Care REIT, Inc. on November 5, 2010).
10.4+	Employment Agreement, dated December 24, 2019, between Sabra Health Care REIT, Inc. and Richard K. Matros (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed by Sabra Health Care REIT, Inc. on December 27, 2019).
10.5+	Employment Agreement, dated December 24, 2019, between Sabra Health Care REIT, Inc. and Harold W. Andrews, Jr. (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed by Sabra Health Care REIT, Inc. on December 27, 2019).
10.6+	Employment Agreement, dated December 24, 2019, between Sabra Health Care REIT, Inc. and Talya Nevo-Hacohen (incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K filed by Sabra Health Care REIT, Inc. on December 27, 2019).
10.7+	Sabra Health Care REIT, Inc. 2009 Performance Incentive Plan, effective April 21, 2017 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed by Sabra Health Care REIT, Inc. on June 21, 2017).
10.8.1+	Form of Notice and Terms and Conditions of Stock Unit Award (Time-Based Stock Units) (for Executive Officers), adopted December 2019 (incorporated by reference to Exhibit 10.8.1 of the Annual Report on Form 10-K filed by Sabra Health Care REIT, Inc. on February 24, 2020).
10.8.2+	Form of Notice and Terms and Conditions of Stock Unit Award (FFO Units) (for Executive Officers), adopted December 2019 (incorporated by reference to Exhibit 10.8.2 of the Annual Report on Form 10-K filed by Sabra Health Care REIT, Inc. on February 24, 2020).
10.8.3+*	Form of Notice and Terms and Conditions of Stock Unit Award (TSR Units) (for Executive Officers), adopted December 2020.
10.8.4+	Form of Notice and Terms and Conditions of Stock Unit Award (for Non-Employee Directors) (incorporated by reference to Exhibit 10.3 of the Quarterly Report on Form 10-Q filed by Sabra Health Care REIT, Inc. on November 1, 2017).
10.8.5+	Non-Employee Directors Stock-for-Fees Program (incorporated by reference to Exhibit 10.10.5 of the Registration Statement on Form S-4 (File No. 333-171820-26) filed by Sabra Health Care REIT, Inc. on January 21, 2011).
10.9+	Sabra Health Care REIT, Inc. Directors' Compensation Policy, effective January 1, 2019 (incorporated by reference to Exhibit 10.9 of the Annual Report on Form 10-K filed by Sabra Health Care REIT, Inc. on February 25, 2019).
10.10+*	Severance Benefits Agreement, dated November 22, 2010, by and between Sabra Health Care REIT, Inc. and Michael Costa.
10.11*	Equity Distribution Agreement, dated December 11, 2019, among the Company, the Sales Agents party thereto, and the Forward Purchasers party thereto.
21.1*	List of Subsidiaries of Sabra Health Care REIT, Inc.
22.1	List of Subsidiary Issuers and Guarantors of Sabra Health Care REIT, Inc. (incorporated by reference to Exhibit 22.1 of the Quarterly Report on Form 10-Q filed by Sabra Health Care REIT, Inc. on August 5, 2020).
23.1*	Consent of PricewaterhouseCoopers LLP.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Ex.	Description
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	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.

\*\* Furnished herewith.

+ Designates a management compensation plan, contract or arrangement.

#### ITEM 16. FORM 10-K SUMMARY

None.

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## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Sabra Health Care REIT, Inc.

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Sabra Health Care REIT, Inc. and its subsidiaries (the “Company”) as of December 31, 2020 and 2019, and the related consolidated statements of income, of comprehensive income, of equity, and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes and financial statement schedules listed in the index appearing under Item 15(a)(2) (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### ***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control over Financial Reporting***

A company's 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 generally accepted accounting principles. A company's 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 the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's 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 the policies or procedures may deteriorate.

### ***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.

As described in Note 2 and Note 5 to the consolidated financial statements, the Company's consolidated real estate investments net carrying value was \$5,285,038 thousand as of December 31, 2020. During 2020, the Company recognized a \$4 million real estate impairment related to one skilled nursing/transitional care facility sold during the year and three senior housing communities. Management regularly monitors events and changes such as triggering events, which in circumstances could indicate that the carrying amounts of its real estate investments may not be recoverable or realized. When indicators of potential impairment suggest that the carrying value of real estate investments may not be recoverable, management assesses the recoverability by estimating whether the Company will recover the carrying value of its real estate investments through the future cash flows and the eventual disposition of the investment. In some instances, there may be various potential outcomes for an investment and its potential future cash flows. The future cash flows used to assess recoverability are based on assumptions and may be probability-weighted based on management's best estimates as of the date of evaluation. These assumptions may include cash flow projections, probability weightings, holding period, terminal capitalization rates, letters of intent, preliminary sales agreements and recent sales data for comparable properties. When necessary, a discount rate assumption may be used to determine fair value. The assumptions are generally based on management's experience in its local real estate markets, and the effects of current market conditions, which are subject to economic and market uncertainties.

The principal considerations for our determination that performing procedures relating to the impairment assessment of real estate is a critical audit matter are (i) the high degree of auditor judgment and subjectivity involved in applying procedures relating to the Company's identification of impairment triggering events and the determination of the recoverability of its real estate investments, and (ii) significant audit effort was necessary to perform procedures and evaluate the audit evidence relating to triggering events, and the significant assumptions used in the recoverability of its real estate investments relating to projected rent, probability weightings, holding period, terminal capitalization rates and letters of intent, when applicable.

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 testing the effectiveness of controls relating to management's impairment assessment of real estate, including controls over the identification of triggering events and the development of assumptions used in applying tests of recoverability related to projected rent, probability weightings, holding period, terminal capitalization rates and letters of intent, when applicable. These procedures also included testing the completeness and accuracy of underlying data used in management's model and evaluating the reasonableness of significant assumptions used by management in applying tests of recoverability relating to projected rent, probability weightings, holding period, terminal capitalization rates and letters of intent, when applicable. Evaluating the reasonableness of the assumptions involved considering (i) the past performance of the real estate; (ii) evidence such as the underlying internal or market data related to the assumptions and (iii) whether the assumptions were consistent with evidence obtained in other areas of the audit.

/s/ PricewaterhouseCoopers LLP  
Irvine, California  
February 22, 2021

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

**SABRA HEALTH CARE REIT, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share amounts)

	December 31,	
	2020	2019
<b>Assets</b>		
Real estate investments, net of accumulated depreciation of \$681,657 and \$539,213 as of December 31, 2020 and 2019, respectively	\$ 5,285,038	\$ 5,341,370
Loans receivable and other investments, net	102,839	107,374
Investment in unconsolidated joint venture	288,761	319,460
Cash and cash equivalents	59,076	39,097
Restricted cash	6,447	10,046
Lease intangible assets, net	82,796	101,509
Accounts receivable, prepaid expenses and other assets, net	160,646	150,443
<b>Total assets</b>	<b>\$ 5,985,603</b>	<b>\$ 6,069,299</b>
<b>Liabilities</b>		
Secured debt, net	\$ 79,065	\$ 113,070
Term loans, net	1,044,916	1,040,258
Senior unsecured notes, net	1,248,393	1,248,773
Accounts payable and accrued liabilities	146,276	108,792
Lease intangible liabilities, net	57,725	69,946
<b>Total liabilities</b>	<b>2,576,375</b>	<b>2,580,839</b>
<b>Commitments and contingencies (Note 15)</b>		
<b>Equity</b>		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized, zero shares issued and outstanding as of December 31, 2020 and 2019	—	—
Common stock, \$0.01 par value; 500,000,000 shares authorized, 210,560,815 and 205,208,018 shares issued and outstanding as of December 31, 2020 and 2019, respectively	2,106	2,052
Additional paid-in capital	4,163,228	4,072,079
Cumulative distributions in excess of net income	(716,195)	(573,283)
Accumulated other comprehensive loss	(39,911)	(12,388)
<b>Total equity</b>	<b>3,409,228</b>	<b>3,488,460</b>
<b>Total liabilities and equity</b>	<b>\$ 5,985,603</b>	<b>\$ 6,069,299</b>

*See accompanying notes to consolidated financial statements.*

**SABRA HEALTH CARE REIT, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except share and per share amounts)

	Year Ended December 31,		
	2020	2019	2018
<b>Revenues:</b>			
Rental and related revenues	\$ 430,584	\$ 452,138	\$ 536,605
Interest and other income	11,940	81,540	16,667
Resident fees and services	156,045	128,058	70,137
<b>Total revenues</b>	<b>598,569</b>	<b>661,736</b>	<b>623,409</b>
<b>Expenses:</b>			
Depreciation and amortization	176,737	181,549	191,379
Interest	100,424	126,610	147,106
Triple-net portfolio operating expenses	20,590	22,215	—
Senior housing - managed portfolio operating expenses	110,963	86,257	49,546
General and administrative	32,755	30,886	37,094
Provision for straight-line rent reserves, loan losses and other reserves	1,855	1,238	39,075
Impairment of real estate	4,003	121,819	1,413
<b>Total expenses</b>	<b>447,327</b>	<b>570,574</b>	<b>465,613</b>
<b>Other income (expense):</b>			
Loss on extinguishment of debt	(531)	(16,340)	(2,917)
Other income	2,154	2,094	4,480
Net gain on sales of real estate	2,861	2,300	128,198
<b>Total other income (expense)</b>	<b>4,484</b>	<b>(11,946)</b>	<b>129,761</b>
Income before loss from unconsolidated joint venture and income tax expense	155,726	79,216	287,557
Loss from unconsolidated joint venture	(16,599)	(6,796)	(5,431)
Income tax expense	(710)	(3,402)	(3,011)
<b>Net income</b>	<b>138,417</b>	<b>69,018</b>	<b>279,115</b>
Net income attributable to noncontrolling interest	—	(22)	(33)
<b>Net income attributable to Sabra Health Care REIT, Inc.</b>	<b>138,417</b>	<b>68,996</b>	<b>279,082</b>
Preferred stock dividends	—	—	(9,768)
<b>Net income attributable to common stockholders</b>	<b>\$ 138,417</b>	<b>\$ 68,996</b>	<b>\$ 269,314</b>
<b>Net income attributable to common stockholders, per:</b>			
Basic common share	\$ 0.67	\$ 0.37	\$ 1.51
Diluted common share	\$ 0.67	\$ 0.37	\$ 1.51
<b>Weighted-average number of common shares outstanding, basic</b>	<b>206,223,503</b>	<b>187,172,210</b>	<b>178,305,738</b>
<b>Weighted-average number of common shares outstanding, diluted</b>	<b>207,252,830</b>	<b>188,127,092</b>	<b>178,721,744</b>

*See accompanying notes to consolidated financial statements.*

**SABRA HEALTH CARE REIT, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in thousands, except footnote data)

	Year Ended December 31,		
	2020	2019	2018
Net income	\$ 138,417	\$ 69,018	\$ 279,115
Other comprehensive (loss) income:			
Unrealized (loss) gain, net of tax:			
Foreign currency translation (loss) gain	(315)	679	720
Unrealized (loss) gain on cash flow hedges <sup>(1)</sup>	(27,208)	(25,368)	292
Total other comprehensive (loss) income	(27,523)	(24,689)	1,012
Comprehensive income	110,894	44,329	280,127
Comprehensive income attributable to noncontrolling interest	—	(22)	(33)
Comprehensive income attributable to Sabra Health Care REIT, Inc.	\$ 110,894	\$ 44,307	\$ 280,094

<sup>(1)</sup> Amounts are net of income tax benefit of \$138,000, \$49,000 and \$48,000 for the years ended December 31, 2020, 2019 and 2018, respectively.

*See accompanying notes to consolidated financial statements.*

**SABRA HEALTH CARE REIT, INC.**

**CONSOLIDATED STATEMENTS OF EQUITY**

(in thousands, except share and per share amounts)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Cumulative Distributions in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
	Shares	Amounts	Shares	Amounts						
Balance, December 31, 2017	5,750,000	\$ 58	178,255,843	\$ 1,783	\$ 3,636,913	\$ (217,236)	\$ 11,289	\$ 3,432,807	\$ 4,442	\$ 3,437,249
Cumulative effect of ASU 2017-12 adoption	—	—	—	—	—	(795)	795	—	—	—
Net income	—	—	—	—	—	279,082	—	279,082	33	279,115
Other comprehensive income	—	—	—	—	—	—	217	217	—	217
Distributions to noncontrolling interest	—	—	—	—	—	—	—	—	(142)	(142)
Amortization of stock-based compensation	—	—	—	—	9,574	—	—	9,574	—	9,574
Preferred stock redemption	(5,750,000)	(58)	—	—	(138,191)	(5,501)	—	(143,750)	—	(143,750)
Common stock issuance, net	—	—	50,685	—	(371)	—	—	(371)	—	(371)
Preferred dividends	—	—	—	—	—	(4,267)	—	(4,267)	—	(4,267)
Common dividends (\$1.80 per share)	—	—	—	—	—	(322,878)	—	(322,878)	—	(322,878)
Balance, December 31, 2018	—	—	178,306,528	1,783	3,507,925	(271,595)	12,301	3,250,414	4,333	3,254,747
Cumulative effect of Topic 842 adoption	—	—	—	—	—	(32,502)	—	(32,502)	—	(32,502)
Net income	—	—	—	—	—	68,996	—	68,996	22	69,018
Other comprehensive loss	—	—	—	—	—	—	(24,689)	(24,689)	—	(24,689)
Buyout of noncontrolling interest	—	—	—	—	4,039	—	—	4,039	(4,039)	—
Distributions to noncontrolling interest	—	—	—	—	—	—	—	—	(316)	(316)
Amortization of stock-based compensation	—	—	—	—	12,567	—	—	12,567	—	12,567
Common stock issuance, net	—	—	26,901,490	269	547,548	—	—	547,817	—	547,817
Common dividends (\$1.80 per share)	—	—	—	—	—	(338,182)	—	(338,182)	—	(338,182)
Balance, December 31, 2019	—	—	205,208,018	2,052	4,072,079	(573,283)	(12,388)	3,488,460	—	3,488,460
Cumulative effect of Topic 326 adoption	—	—	—	—	—	(167)	—	(167)	—	(167)
Net income	—	—	—	—	—	138,417	—	138,417	—	138,417
Other comprehensive loss	—	—	—	—	—	—	(27,523)	(27,523)	—	(27,523)
Amortization of stock-based compensation	—	—	—	—	10,769	—	—	10,769	—	10,769
Common stock issuance, net	—	—	5,352,797	54	80,380	—	—	80,434	—	80,434
Common dividends (\$1.35 per share)	—	—	—	—	—	(281,162)	—	(281,162)	—	(281,162)
Balance, December 31, 2020	—	\$ —	210,560,815	\$ 2,106	\$ 4,163,228	\$ (716,195)	\$ (39,911)	\$ 3,409,228	\$ —	\$ 3,409,228

*See accompanying notes to consolidated financial statements.*

**SABRA HEALTH CARE REIT, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	Year Ended December 31,		
	2020	2019	2018
<b>Cash flows from operating activities:</b>			
Net income	\$ 138,417	\$ 69,018	\$ 279,115
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Depreciation and amortization	176,737	181,549	191,379
Non-cash rental and related revenues	(4,458)	(19,449)	(36,443)
Non-cash interest income	(2,351)	(2,212)	(2,300)
Non-cash interest expense	8,418	10,080	10,137
Stock-based compensation expense	7,907	9,819	7,648
Non-cash lease termination income	—	(10,579)	—
Loss on extinguishment of debt	531	16,340	2,917
Provision for loan losses and other reserves	1,855	1,238	39,075
Net gain on sales of real estate	(2,861)	(2,300)	(128,198)
Impairment of real estate	4,003	121,819	1,413
Loss from unconsolidated joint venture	16,599	6,796	5,431
Distributions of earnings from unconsolidated joint venture	12,795	13,865	8,910
<b>Changes in operating assets and liabilities:</b>			
Accounts receivable, prepaid expenses and other assets, net	(6,398)	(9,639)	(6,753)
Accounts payable and accrued liabilities	3,658	(13,870)	(11,745)
Net cash provided by operating activities	<u>354,852</u>	<u>372,475</u>	<u>360,586</u>
<b>Cash flows from investing activities:</b>			
Acquisition of real estate	(92,945)	(51,136)	(261,511)
Origination and fundings of loans receivable	(1,651)	(13,065)	(50,731)
Origination and fundings of preferred equity investments	(20,069)	—	(5,313)
Additions to real estate	(47,354)	(25,451)	(27,697)
Repayments of loans receivable	4,093	18,367	51,789
Repayments of preferred equity investments	3,419	5,079	6,870
Net proceeds from sales of real estate	16,751	329,050	382,560
Investment in unconsolidated joint venture	—	—	(354,461)
Distributions in excess of earnings from unconsolidated joint venture	1,305	—	—
Net cash (used in) provided by investing activities	<u>(136,451)</u>	<u>262,844</u>	<u>(258,494)</u>
<b>Cash flows from financing activities:</b>			
Net repayments of revolving credit facility	—	(624,000)	(17,000)
Proceeds from issuance of senior unsecured notes	—	638,779	—
Principal payments on senior unsecured notes	—	(700,000)	—
Principal payments on term loans	—	(145,000)	—
Principal payments on secured debt	(3,072)	(3,436)	(140,338)
Payments of deferred financing costs	(830)	(15,598)	(352)
Payments related to extinguishment of debt	—	(10,502)	(2,043)
Distributions to noncontrolling interest	—	(316)	(142)
Preferred stock redemption	—	—	(143,750)
Issuance of common stock, net	80,092	549,328	(499)
Dividends paid on common stock	(278,299)	(335,435)	(325,220)
Net cash used in financing activities	<u>(202,109)</u>	<u>(646,180)</u>	<u>(629,344)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	16,292	(10,861)	(527,252)
Effect of foreign currency translation on cash, cash equivalents and restricted cash	88	346	(539)
Cash, cash equivalents and restricted cash, beginning of period	49,143	59,658	587,449
Cash, cash equivalents and restricted cash, end of period	<u>\$ 65,523</u>	<u>\$ 49,143</u>	<u>\$ 59,658</u>

*See accompanying notes to consolidated financial statements.*

**SABRA HEALTH CARE REIT, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
(in thousands)

	Year Ended December 31,		
	2020	2019	2018
Supplemental disclosure of cash flow information:			
Interest paid	\$ 92,589	\$ 123,854	\$ 137,668
Income taxes paid	\$ 2,439	\$ 3,911	\$ 1,800
Supplemental disclosure of non-cash investing activities:			
Decrease in loans receivable and other investments due to acquisition of real estate	\$ 20,731	\$ —	\$ —
Secured debt assumed by buyers in connection with sales of real estate	\$ 31,830	\$ —	\$ —

*See accompanying notes to consolidated financial statements.*

**SABRA HEALTH CARE REIT, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. BUSINESS**

**Overview**

Sabra Health Care REIT, Inc. (“Sabra” or the “Company”) was incorporated on May 10, 2010 as a wholly owned subsidiary of Sun Healthcare Group, Inc. (“Sun”) and commenced operations on November 15, 2010 following Sabra’s separation from Sun. Sabra elected to be treated as a real estate investment trust (“REIT”) with the filing of its United States (“U.S.”) federal income tax return for the taxable year beginning January 1, 2011. Sabra believes that it has been organized and operated, and it intends to continue to operate, in a manner to qualify as a REIT. Sabra’s primary business consists of acquiring, financing and owning real estate property to be leased to third-party tenants in the healthcare sector. Sabra primarily generates revenues by leasing properties to tenants and operators throughout the U.S. and Canada. Sabra owns substantially all of its assets and properties and conducts its operations through Sabra Health Care Limited Partnership, a Delaware limited partnership (the “Operating Partnership”), of which Sabra is the sole general partner and a wholly owned subsidiary of Sabra is currently the only limited partner, or by subsidiaries of the Operating Partnership. The Company’s investment portfolio is primarily comprised of skilled nursing/transitional care facilities, senior housing communities (“Senior Housing - Leased”) and specialty hospitals and other facilities, in each case leased to third-party operators; senior housing communities operated by third-party property managers pursuant to property management agreements (“Senior Housing - Managed”); investments in loans receivable; preferred equity investments; and a 49% equity interest in the Enlivant Joint Venture (as defined below).

**COVID-19**

In March 2020, the World Health Organization declared COVID-19 a pandemic, and the United States declared a national emergency with respect to COVID-19. In the intervening months, COVID-19 has spread globally and led governments and other authorities around the world, including federal, state and local authorities in the United States, to impose measures intended to control its spread, including restrictions on freedom of movement and business operations such as travel bans, border closings, business closures, quarantines and shelter-in-place orders. Although some of these governmental restrictions have since been lifted or scaled back, a recent surge of COVID-19 infections has resulted in the re-imposition of certain restrictions and may lead to other restrictions being re-implemented in response to efforts to reduce the spread of COVID-19. In December 2020, distribution of the COVID-19 vaccine began to all 50 states, and while states have the authority over who receives the vaccine, the Centers for Disease Control and Prevention recommended that the initial distribution prioritize healthcare workers and residents of long-term care facilities. However, governmental restrictions may remain in place for a significant amount of time. The ongoing COVID-19 pandemic and measures intended to prevent its spread have negatively impacted and are expected to continue to negatively impact the Company and its operations in a number of ways, including but not limited to:

- Decreased occupancy and increased operating costs for the Company’s tenants and borrowers, which have negatively impacted their operating results and may adversely impact their ability to make full and timely rental payments and debt service payments, respectively, to the Company. In some cases, the Company may have to restructure tenants’ long-term rent obligations and may not be able to do so on terms that are as favorable to the Company as those currently in place. Reduced or modified rental and debt service amounts could result in the determination that the full amounts of the Company’s investments are not recoverable, which could result in an impairment charge. To date, the impact of COVID-19 on the Company’s skilled nursing/transitional care facility operators has been significantly mitigated by the assistance they have received or expect to receive from state and federal assistance programs, including through the CARES Act (as defined and further described under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Skilled Nursing Facility Reimbursement Rates” in Part II, Item 7), although these benefits on an individual operator basis vary and may not provide enough relief to meet their rental obligations to the Company. As of September 1, 2020, eligible assisted living facility operators may apply for funding through the CARES Act, and the assistance received or expected to be received will partially mitigate the negative impact of COVID-19 on the Company’s eligible assisted living facility operators. As of December 31, 2020, the Company’s tenants and borrowers have continued to pay expected cash rents and debt service obligations consistent with past practice. However, the longer the duration of the COVID-19 pandemic, the more likely that the Company’s tenants and borrowers will begin to default on these obligations. Such defaults could materially and adversely affect the Company’s results of operations and liquidity, in addition to resulting in potential impairment charges.
- Decreased occupancy and increased operating costs within the Company’s Senior Housing - Managed portfolio and in the Company’s 49% equity interest in a joint venture with affiliates of Enlivant and TPG Real Estate, the real

estate platform of TPG, that owns senior housing communities managed by Enlivant (the “Enlivant Joint Venture”), which have negatively impacted and are expected to continue to negatively impact the operating results of these investments. As noted above, as of September 1, 2020, eligible assisted living facility operators may apply for funding through the CARES Act, and the assistance received or expected to be received will partially mitigate the negative impact of COVID-19 on the Company’s Senior Housing - Managed portfolio and the Enlivant Joint Venture. In addition, on October 1, 2020, the Department of Health and Human Services announced \$20 billion of new funding for assisted living facility operators that have already received funds and to those who were previously ineligible. During the year ended December 31, 2020, the Company recognized government grants under the CARES Act and other programs of \$5.3 million. Prolonged deterioration in the operating results for the Company’s investments in its Senior Housing - Managed portfolio and the Enlivant Joint Venture could result in the determination that the full amounts of the Company’s investments are not recoverable, which could result in an impairment charge.

The Company’s financial results as of and for the year ended December 31, 2020 reflect the results of the Company’s evaluation of the impact of COVID-19 on its business including, but not limited to, its evaluation of potential impairments of long-lived or other assets, measurement of credit losses on financial instruments, evaluation of any lease modifications, evaluation of lease accounting impact, estimates of fair value and the Company’s ability to continue as a going concern.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Principles of Consolidation and Basis of Presentation**

The accompanying consolidated financial statements include the accounts of Sabra and its wholly owned subsidiaries as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018. All significant intercompany transactions and balances have been eliminated in consolidation. The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”).

GAAP requires the Company to identify entities for which control is achieved through voting rights or other means and to determine which business enterprise is the primary beneficiary of variable interest entities (“VIEs”). A VIE is broadly defined as an entity with one or more of the following characteristics: (a) the total equity investment at risk is insufficient to finance the entity’s activities without additional subordinated financial support; (b) as a group, the holders of the equity investment at risk lack (i) the ability to make decisions about the entity’s activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; or (c) the equity investors have voting rights that are not proportional to their economic interests, and substantially all of the entity’s activities either involve, or are conducted on behalf of, an investor that has disproportionately few voting rights. If the Company were determined to be the primary beneficiary of the VIE, the Company would consolidate investments in the VIE. The Company may change its original assessment of a VIE due to events such as modifications of contractual arrangements that affect the characteristics or adequacy of the entity’s equity investments at risk and the disposal of all or a portion of an interest held by the primary beneficiary.

The Company identifies the primary beneficiary of a VIE as the enterprise that has both: (i) the power to direct the activities of the VIE that most significantly impact the entity’s economic performance; and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could be significant to the entity. The Company performs this analysis on an ongoing basis. As of December 31, 2020, the Company determined that it was not the primary beneficiary of any VIEs.

As it relates to investments in loans, in addition to the Company’s assessment of VIEs and whether the Company is the primary beneficiary of those VIEs, the Company evaluates the loan terms and other pertinent facts to determine whether the loan investment should be accounted for as a loan or as a real estate joint venture. If an investment has the characteristics of a real estate joint venture, including if the Company participates in the majority of the borrower’s expected residual profit, the Company would account for the investment as an investment in a real estate joint venture and not as a loan investment. Expected residual profit is defined as the amount of profit, whether called interest or another name, such as an equity kicker, above a reasonable amount of interest and fees expected to be earned by a lender. At December 31, 2020 and 2019, none of the Company’s investments in loans were accounted for as real estate joint ventures.

As it relates to investments in joint ventures, the Company assesses any limited partners’ rights and their impact on the presumption of control of the limited partnership by any single partner. The Company also applies this guidance to managing member interests in limited liability companies. The Company reassesses its determination of which entity controls the joint venture if: there is a change to the terms or in the exercisability of the rights of any partners or members, the sole general partner or managing member increases or decreases its ownership interests, or there is an increase or decrease in the number of

outstanding ownership interests. As of December 31, 2020, the Company's determination of which entity controls its investments in joint ventures has not changed as a result of any reassessment.

### **Use of Estimates**

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could materially differ from those estimates.

### **Reclassifications**

Certain amounts in the Company's consolidated statements of income for prior periods have been reclassified to conform to the current period presentation. These reclassifications have not changed the results of operations.

### **Out of Period Adjustments**

During the three months ended September 30, 2020, the Company identified certain historical errors in the recording of depreciation and amortization expense related to the basis difference in the Enlivant Joint Venture and not correctly expensing the allocable portion of the basis difference upon the sale of assets in the Enlivant Joint Venture. These errors impacted the Company's investment in unconsolidated joint venture and loss from unconsolidated joint venture as well as its consolidated statements of income, consolidated statements of comprehensive income and consolidated statements of equity since 2018, which impacted the annual periods previously issued. These errors resulted in understating (overstating) previously recorded loss from unconsolidated joint venture and overstating (understating) previously recorded net income by \$0.1 million and (\$1.7) million for the years ended December 31, 2019 and 2018, respectively. These out of period adjustments were recorded during the year ended December 31, 2020, resulting in a decrease to loss from unconsolidated joint venture and an increase to net income of \$1.6 million. Management evaluated the impact of the errors to the current period and prior period financial statements and determined that the impact was not material to any of the impacted periods.

### **Real Estate Investments and Rental Revenue Recognition**

#### *Real Estate Acquisition Valuation*

All assets acquired and liabilities assumed in an acquisition of real estate accounted for as a business combination are measured at their acquisition date fair values. For acquisitions of real estate accounted for as an asset acquisition, the fair value of consideration transferred by the Company (including transaction costs) is allocated to all assets acquired and liabilities assumed on a relative fair value basis. The acquisition value of land, building and improvements are included in real estate investments on the accompanying consolidated balance sheets. The acquisition value of above market lease, tenant origination and absorption costs and tenant relationship intangible assets is included in lease intangible assets, net on the accompanying consolidated balance sheets. The acquisition value of below market lease intangible liabilities is included in lease intangible liabilities, net on the accompanying consolidated balance sheets. Acquisition costs associated with real estate acquisitions deemed asset acquisitions are capitalized, and costs associated with real estate acquisitions deemed business combinations are expensed as incurred. Restructuring costs that do not meet the definition of a liability at the acquisition date are expensed in periods subsequent to the acquisition date.

Estimates of the fair values of the tangible assets, identifiable intangibles and assumed liabilities require the Company to make significant assumptions to estimate market lease rates, property operating expenses, carrying costs during lease-up periods, discount rates, market absorption periods, and the number of years the property will be held for investment. The Company makes its best estimate based on the Company's evaluation of the specific characteristics of each tenant's lease. The use of inappropriate assumptions would result in an incorrect valuation of the Company's acquired tangible assets, identifiable intangibles and assumed liabilities, which would impact the amount of the Company's net income.

#### *Depreciation and Amortization*

Real estate costs related to the acquisition and improvement of properties are capitalized and amortized on a straight-line basis over the lesser of the expected useful life of the asset and the remaining lease term of any property subject to a ground lease. Tenant improvements are capitalized and amortized on a straight-line basis over the lesser of the expected useful life of the asset and the remaining lease term. Depreciation is discontinued when a property is identified as held for sale. Repair and maintenance costs are charged to expense as incurred and significant replacements and betterments are capitalized. Repair and maintenance costs include all costs that do not extend the useful life of the real estate asset. The Company considers the period of future benefit of an asset to determine its appropriate useful life. Depreciation of real estate assets and amortization of tenant origination and absorption costs and tenant relationship lease intangibles are included in depreciation and amortization on the accompanying consolidated statements of income. Amortization of above and below market lease intangibles is included in

rental income on the accompanying consolidated statements of income. The Company anticipates the estimated useful lives of its assets by class to be generally as follows: land improvements, five to 20 years; buildings and building improvements, five to 40 years; and furniture and equipment, three to 10 years. Intangibles are generally amortized over the remaining noncancellable lease terms, with tenant relationship intangible amortization periods including extension periods of up to 10 years.

#### *Impairment of Real Estate Investments*

The Company regularly monitors events and changes in circumstances that could indicate that the carrying amounts of its real estate investments may not be recoverable or realized. When indicators of potential impairment suggest that the carrying value of real estate investments may not be recoverable, the Company assesses the recoverability by estimating whether the Company will recover the carrying value of its real estate investments through the future cash flows and the eventual disposition of the investment. In some instances, there may be various potential outcomes for an investment and its potential future cash flows. In these instances, the future cash flows used to assess recoverability are based on several assumptions and are probability-weighted based on the Company's best estimates as of the date of evaluation. These assumptions include, among others, cash flow projections, holding period, market capitalization rates, and letters of intent, purchase and sale agreements and recent sales data for comparable properties. When necessary, a discount rate assumption may be used to determine fair value. The assumptions are generally based on management's experience in its local real estate markets, and the effects of current market conditions, which are subject to economic and market uncertainties. If, based on this analysis, the Company does not believe that it will be able to recover the carrying value of its real estate investments, the Company would record an impairment loss to the extent that the carrying value exceeds the estimated fair value of its real estate investments.

#### *Revenue Recognition*

The Company recognizes rental revenue from tenants, including rental abatements, lease incentives and contractual fixed increases attributable to operating leases, on a straight-line basis over the term of the related leases when it is probable that substantially all rents over the life of a lease are collectible. Certain of the Company's leases provide for contingent rents equal to a percentage of the facility's revenue in excess of specified base amounts or other thresholds. Such revenue is recognized when actual results reported by the tenant, or estimates of tenant results, exceed the applicable base amount or other threshold.

The Company assesses the collectability of rents on a lease-by-lease basis, and in doing so, considers such things as historical bad debts, tenant creditworthiness, current economic trends, facility operating performance, lease structure, credit enhancements (including guarantees), current developments relevant to a tenant's business specifically and to its business category generally, and changes in tenants' payment patterns. The Company's assessment includes an estimation of a tenant's ability to fulfill all of its rental obligations over the remaining lease term. In addition, with respect to tenants in bankruptcy, management makes estimates of the expected recovery of pre-petition and post-petition claims in assessing the estimated collectability of the related receivable. If at any time the Company cannot determine that it is probable that substantially all rents over the life of a lease are collectible, rental revenue will be recognized only to the extent of payments received, and all receivables associated with the lease will be written off irrespective of amounts expected to be collectible. Any recoveries of these amounts will be recorded in future periods upon receipt of payment. Write-offs of receivables and any recoveries of previously written-off receivables are recorded as adjustments to rental revenue.

Revenue from resident fees and services is recorded monthly as services are provided and includes resident room and care charges, ancillary services charges and other resident charges.

#### **Government Grants**

Government assistance provided to the Company in the form of an income grant, which is not related to long-lived assets and is not required to be repaid, is recognized as grant income when there is reasonable assurance that the grant will be received and the Company will comply with any conditions associated with the grant. Additionally, grants are recognized over the periods in which the Company recognizes the qualifying expenses and/or lost income for which the grants are intended to compensate. As of December 31, 2020, the amount of qualifying expenditures exceeded amounts recognized under the CARES Act and other programs, and the Company had complied with all grant conditions. Accordingly, during the year ended December 31, 2020, the Company recognized \$1.8 million of grants in resident fees and services and \$3.5 million of grants in loss from unconsolidated joint venture in the accompanying consolidated statements of income.

#### **Assets Held for Sale, Dispositions and Discontinued Operations**

The Company generally considers real estate to be "held for sale" when the following criteria are met: (i) management commits to a plan to sell the property, (ii) the property is available for sale immediately, (iii) the property is actively being marketed for sale at a price that is reasonable in relation to its current fair value, (iv) the sale of the property within one year is considered probable and (v) significant changes to the plan to sell are not expected. Real estate that is held for sale and its

related assets are classified as assets held for sale and are included in accounts receivable, prepaid expenses and other assets, net on the accompanying consolidated balance sheets. Secured indebtedness and other liabilities related to real estate held for sale are classified as liabilities related to assets held for sale and are included in accounts payable and accrued liabilities on the accompanying consolidated balance sheets. Real estate classified as held for sale is no longer depreciated and is reported at the lower of its carrying value or its estimated fair value less estimated costs to sell. As of December 31, 2020 and 2019, the Company did not have any assets held for sale.

For sales of real estate where the Company has collected the consideration to which it is entitled in exchange for transferring the real estate, the related assets and liabilities are removed from the balance sheet and the resultant gain or loss is recorded in the period in which the transaction closes. Any post-sale involvement is accounted for as separate performance obligations, and when the separate performance obligations are satisfied, the portion of the sales price allocated to each such obligation is recognized.

Additionally, the Company records the operating results related to real estate that has been disposed of or classified as held for sale as discontinued operations for all periods presented if it represents a strategic shift that has or will have a major effect on the Company's operations and financial results.

### **Investment in Unconsolidated Joint Venture**

The Company reports investments in unconsolidated entities over whose operating and financial policies it has the ability to exercise significant influence under the equity method of accounting. Under this method of accounting, the Company's share of the investee's earnings or losses is included in the Company's consolidated statements of income. The initial carrying value of the investment is based on the amount paid to purchase the joint venture interest. Differences between the Company's cost basis and the basis reflected at the joint venture level are generally amortized over the lives of the related assets and liabilities, and such amortization is included in the Company's share of earnings of the joint venture. In addition, distributions received from unconsolidated entities are classified based on the nature of the activity or activities that generated the distribution.

The Company regularly monitors events and changes in circumstances that could indicate that the carrying amounts of its equity method investments may not be recoverable or realized. When indicators of potential impairment are identified, the Company evaluates its equity method investments for impairment based on a comparison of the fair value of the investment to its carrying value. The fair value is estimated based on discounted cash flows that include all estimated cash inflows and outflows over a specified holding period and any estimated debt premiums or discounts. If, based on this analysis, the Company does not believe that it will be able to recover the carrying value of its equity method investment, the Company would record an impairment loss to the extent that the carrying value exceeds the estimated fair value of its equity method investment.

### **Loans Receivable and Interest Income**

#### *Loans Receivable*

The Company's loans receivable are reflected at amortized cost on the accompanying consolidated balance sheets. The amortized cost of a loan receivable is the outstanding unpaid principal balance, net of unamortized discounts, costs and fees directly associated with the origination of the loan.

Loans acquired in connection with a business combination are recorded at their acquisition date fair value. The Company determines the fair value of loans receivable based on estimates of expected discounted cash flows, collateral, credit risk and other factors. The Company does not establish a valuation allowance at the acquisition date, as the amount of estimated future cash flows reflects its judgment regarding their uncertainty. The Company recognizes the difference between the acquisition date fair value and the total expected cash flows as interest income using the effective interest method over the life of the applicable loan. The Company immediately recognizes in income any unamortized balances if the loan is repaid before its contractual maturity.

On a quarterly basis, the Company evaluates the collectability of its loan portfolio, including the portion of unfunded loan commitments expected to be funded, and establishes an allowance for credit losses. The allowance for credit losses is calculated using the related amortization schedules, payment histories and loan-to-value ratios. The following rates are applied to determine the aggregate expected losses, which is recorded as the allowance for credit losses: (i) a default rate, (ii) a liquidation cost rate and (iii) a distressed property reduction rate. If no loan-to-value ratio is available, a loss severity rate is applied in place of the liquidation cost rate and the distressed property reduction rate. The default rate is based on average charge-off and delinquency rates from the Federal Reserve, and the other rates are based on industry research and historical performance of a similar portfolio of financial assets. The allowance for credit losses is a valuation allowance that reflects management's estimate of losses inherent in the loan portfolio as of the balance sheet date. The reserve is adjusted through provision for loan losses and

other reserves on the Company's consolidated statements of income and is decreased by charge-offs to specific loans when losses are confirmed.

### *Interest Income*

Interest income on the Company's loans receivable is recognized on an accrual basis over the life of the investment using the interest method. Direct loan origination costs are amortized over the term of the loan as an adjustment to interest income. When concerns exist as to the ultimate collection of principal or interest due under a loan, the loan is placed on nonaccrual status, and the Company will not recognize interest income until the cash is received, or the loan returns to accrual status. If the Company determines that the collection of interest according to the contractual terms of the loan or through the receipts of assets in satisfaction of contractual amounts due is probable, the Company will resume the accrual of interest. In instances where borrowers are in default under the terms of their loans, the Company may continue recognizing interest income provided that all amounts owed under the contractual terms of the loan, including accrued and unpaid interest, do not exceed the estimated fair value of the collateral, less costs to sell.

On a quarterly basis, the Company evaluates the collectability of its interest income receivable and establishes a reserve for amounts not expected to be collected. The Company's evaluation includes reviewing credit quality indicators such as payment status, changes affecting the operations of the facilities securing the loans, and national and regional economic factors. The reserve is a valuation allowance that reflects management's estimate of losses inherent in the interest income receivable balance as of the balance sheet date. The reserve is adjusted through provision for loan losses and other reserves on the Company's consolidated statements of income and is decreased by charge-offs to specific receivables when losses are confirmed.

### **Preferred Equity Investments and Preferred Return**

Preferred equity investments are accounted for at unreturned capital contributions, plus accrued and unpaid preferred returns. The Company recognizes preferred return income on a monthly basis based on the outstanding investment including any previously accrued and unpaid return. As a preferred member of the preferred equity joint ventures in which the Company participates, the Company is not entitled to share in the joint venture's earnings or losses. Rather, the Company is entitled to receive a preferred return, which is deferred if the cash flow of the joint venture is insufficient to currently pay the accrued preferred return.

The Company regularly monitors events and changes in circumstances that could indicate that the carrying amounts of its preferred equity investments may not be recoverable or realized. On a quarterly basis, the Company evaluates its preferred equity investments for impairment based on a comparison of the fair value of the investment to its carrying value. The fair value is estimated based on discounted cash flows that include all estimated cash inflows and outflows over a specified holding period. If, based on this analysis, the Company does not believe that it will be able to recover the carrying value of its preferred equity investment, the Company would record an impairment loss to the extent that the carrying value exceeds the estimated fair value of its preferred equity investment.

### **Cash and Cash Equivalents**

The Company considers all short-term (with an original maturity of three months or less), highly-liquid investments utilized as part of the Company's cash-management activities to be cash equivalents. Cash equivalents may include cash and short-term investments. Short-term investments are stated at cost, which approximates fair value.

The Company's cash and cash equivalents balance exceeded federally insurable limits as of December 31, 2020. To date, the Company has experienced no loss or lack of access to cash in its operating accounts. The Company has a corporate banking relationship with Bank of America, N.A. in which it deposits the majority of its cash.

### **Restricted Cash**

Restricted cash primarily consists of amounts held by an exchange accommodation titleholder or by secured debt lenders to provide for future real estate tax expenditures, tenant improvements and capital expenditures. Pursuant to the terms of the Company's leases with certain tenants, the Company has assigned its interests in certain of these restricted cash accounts with secured debt lenders to the tenants, and this amount is included in accounts payable and accrued liabilities on the Company's consolidated balance sheets. As of December 31, 2020 and 2019, restricted cash totaled \$6.4 million and \$10.0 million, respectively, and restricted cash obligations totaled \$3.5 million and \$5.6 million, respectively.

## **Stock-Based Compensation**

Stock-based compensation expense for stock-based awards granted to Sabra's employees (team members) and its non-employee directors is recognized in the statements of income based on the estimated grant date fair value, as adjusted. Compensation expense for awards with graded vesting schedules is generally recognized ratably over the period from the grant date to the date when the award is no longer contingent on the recipient providing additional services. Compensation expense for awards with performance-based vesting conditions is recognized based on the Company's estimate of the ultimate value of such award after considering the Company's expectations of future performance. Forfeitures of stock-based awards are recognized as they occur.

## **Deferred Financing Costs**

Deferred financing costs representing fees paid to third parties are amortized over the terms of the respective financing agreements using the interest method. Deferred financing costs related to secured debt, term loans and senior unsecured notes are recorded as a reduction of the related debt liability, and deferred financing costs related to the revolving credit facility are recorded in accounts receivable, prepaid expenses and other assets, net. Unamortized deferred financing costs are generally expensed when the associated debt is refinanced or repaid before maturity. Costs incurred in seeking financings that do not close are expensed in the period in which it is determined that the financing will not close.

## **Income Taxes**

The Company elected to be treated as a REIT with the filing of its U.S. federal income tax return for the taxable year beginning January 1, 2011. The Company believes that it has been organized and operated, and it intends to continue to operate, in a manner to qualify as a REIT. To qualify as a REIT, the Company must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of the Company's annual REIT taxable income to stockholders (which is computed without regard to the dividends-paid deduction or net capital gains and which does not necessarily equal net income as calculated in accordance with GAAP). As a REIT, the Company generally will not be subject to federal income tax on income that it distributes as dividends to its stockholders. If the Company fails to qualify as a REIT in any taxable year, it will be subject to U.S. federal income tax on its taxable income at regular corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for federal income tax purposes for the four taxable years following the year during which qualification is lost, unless the Internal Revenue Service grants the Company relief under certain statutory provisions. Such an event could materially and adversely affect the Company's net income and net cash available for distribution to stockholders. However, the Company believes that it is organized and operates in such a manner as to qualify for treatment as a REIT.

As a result of certain investments, the Company now records income tax expense or benefit with respect to certain of its entities that are taxed as taxable REIT subsidiaries under provisions similar to those applicable to regular corporations and not under the REIT provisions.

The Company accounts for deferred income taxes using the asset and liability method and recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the Company's financial statements or tax returns. Under this method, the Company determines deferred tax assets and liabilities based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Any increase or decrease in the deferred tax liability that results from a change in circumstances, and that causes a change in the Company's judgment about expected future tax consequences of events, is included in the tax provision when such changes occur. Deferred income taxes also reflect the impact of operating loss and tax credit carryforwards. A valuation allowance is provided if the Company believes it is more likely than not that all or some portion of the deferred tax asset will not be realized. Any increase or decrease in the valuation allowance that results from a change in circumstances, and that causes a change in the Company's judgment about the realizability of the related deferred tax asset, is included in the tax provision when such changes occur.

The Company evaluates its tax positions using a two-step approach: step one (recognition) occurs when the Company concludes that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination, and step two (measurement) is only addressed if step one has been satisfied (i.e., the position is more likely than not to be sustained). Under step two, the tax benefit is measured as the largest amount of benefit (determined on a cumulative probability basis) that is more likely than not to be realized upon ultimate settlement. The Company will recognize tax penalties relating to unrecognized tax benefits as additional tax expense.

## Foreign Currency

Certain of the Company's subsidiaries' functional currencies are the local currencies of their respective foreign jurisdictions. The Company translates the results of operations of its foreign subsidiaries into U.S. dollars using average rates of exchange in effect during the period presented, and it translates balance sheet accounts using exchange rates in effect at the end of the period presented. The Company records resulting currency translation adjustments in accumulated other comprehensive loss, a component of stockholders' equity, on its consolidated balance sheets, and it records foreign currency transaction gains and losses as a component of interest and other income on its consolidated statements of income.

## Derivative Instruments

The Company uses certain types of derivative instruments for the purpose of managing interest rate and currency risk. To qualify for hedge accounting, derivative instruments used for risk management purposes must effectively reduce the risk exposure that they are designed to hedge. In addition, at inception, the Company must make an assessment that the transaction that the Company intends to hedge is probable of occurring, and this assessment must be updated each reporting period.

The Company recognizes all derivative instruments as assets or liabilities on the consolidated balance sheets at their fair value. For derivatives designated and qualified as a hedge, the change in fair value of the effective portion of the derivatives is recognized in accumulated other comprehensive loss. Changes in the fair value of derivative instruments that are not designated in hedging relationships or that do not meet the criteria for hedge accounting would be recognized in earnings.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objectives and strategy for undertaking various hedge transactions. This process includes designating all derivatives that are part of a hedging relationship to specific transactions, as well as recognizing obligations or assets on the consolidated balance sheets. The Company also assesses and documents, both at inception of the hedging relationship and on a quarterly basis thereafter, whether the derivatives are highly effective in offsetting the designated risks associated with the respective hedged items. If it is determined that a derivative ceases to be highly effective as a hedge, or that it is probable the underlying transaction will not occur, the Company would discontinue hedge accounting prospectively and record the appropriate adjustment to earnings based on the then-current fair value of the derivative.

## Fair Value Measurements

Under GAAP, the Company is required to measure certain financial instruments at fair value on a recurring basis. In addition, the Company is required to measure other financial instruments and balances at fair value on a non-recurring basis (e.g., carrying value of impaired loans receivable and long-lived assets). Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The GAAP fair value framework uses a three-tiered approach. Fair value measurements are classified and disclosed in one of the following three categories:

- Level 1: unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2: quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- Level 3: prices or valuation techniques where little or no market data is available that requires inputs that are both significant to the fair value measurement and unobservable.

When available, the Company utilizes quoted market prices from an independent third-party source to determine fair value and classifies such items as Level 1 or Level 2. In instances where the market for a financial instrument is not active, regardless of the availability of a nonbinding quoted market price, observable inputs might not be relevant and could require the Company to make a significant adjustment to derive a fair value measurement. Additionally, in an inactive market, a market price quoted from an independent third party may rely more on models with inputs based on information available only to that independent third party. When the Company determines the market for a financial instrument owned by the Company to be illiquid or when market transactions for similar instruments do not appear orderly, the Company may use several valuation sources (including internal valuations, discounted cash flow analysis and quoted market prices) to establish a fair value. If more than one valuation source is used, the Company will assign weights to the various valuation sources. Additionally, when determining the fair value of liabilities in circumstances in which a quoted price in an active market for an identical liability is not available, the Company measures fair value using (i) a valuation technique that uses the quoted price of the identical liability when traded as an asset or quoted prices for similar liabilities or similar liabilities when traded as assets or (ii) another valuation technique that is consistent with the principles of fair value measurement, such as the income approach or the market approach.

Changes in assumptions or estimation methodologies can have a material effect on these estimated fair values. In this regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, may not be realized in an immediate settlement of the instrument.

The Company considers the following factors to be indicators of an inactive market: (i) there are few recent transactions, (ii) price quotations are not based on current information, (iii) price quotations vary substantially either over time or among market makers (for example, some brokered markets), (iv) indexes that previously were highly correlated with the fair values of the asset or liability are demonstrably uncorrelated with recent indications of fair value for that asset or liability, (v) there is a significant increase in implied liquidity risk premiums, yields, or performance indicators (such as delinquency rates or loss severities) for observed transactions or quoted prices when compared with the Company's estimate of expected cash flows, considering all available market data about credit and other nonperformance risk for the asset or liability, (vi) there is a wide bid-ask spread or significant increase in the bid-ask spread, (vii) there is a significant decline or absence of a market for new issuances (that is, a primary market) for the asset or liability or similar assets or liabilities, and (viii) little information is released publicly (for example, a principal-to-principal market).

The Company considers the following factors to be indicators of non-orderly transactions: (i) there was not adequate exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities under current market conditions, (ii) there was a usual and customary marketing period, but the seller marketed the asset or liability to a single market participant, (iii) the seller is in or near bankruptcy or receivership (that is, distressed), or the seller was required to sell to meet regulatory or legal requirements (that is, forced), and (iv) the transaction price is an outlier when compared with other recent transactions for the same or similar assets or liabilities.

### **Per Share Data**

Basic earnings per common share is computed by dividing net income applicable to common stockholders by the weighted average number of shares of common stock and common equivalents outstanding during the period. Diluted earnings per common share is calculated by including the effect of dilutive securities. See Note 14, "Earnings Per Common Share."

### **Industry Segments**

The Company has one reportable segment consisting of investments in healthcare-related real estate properties.

### **Beds, Units and Other Measures**

The number of beds, units and other measures used to describe the Company's real estate investments included in the Notes to Consolidated Financial Statements are presented on an unaudited basis.

### **Recently Issued Accounting Standards Update**

#### *Adopted*

Effective January 1, 2019, the Company adopted Accounting Standards Update ("ASU") 2016-02, Leases, as amended by subsequent ASUs ("Topic 842") using the modified retrospective transition method. Topic 842 supersedes guidance related to accounting for leases and provides for the recognition of lease assets and lease liabilities by lessees for those leases previously classified as operating leases under GAAP. In addition, the Company elected to use the available practical expedients, and therefore did not reassess classification of its existing leases and did not separate lease and nonlease components (such as services rendered). As a result of electing these practical expedients, the Company, beginning January 1, 2019, recognizes revenue from its leased skilled nursing/transitional care facilities, Senior Housing - Leased communities, and specialty hospitals and other facilities under Topic 842 and recognizes revenue from its Senior Housing - Managed communities under the Revenue ASUs (codified under Topic 606). Upon adoption of Topic 842, the Company recognized its operating leases for which it is the lessee, mainly its corporate office lease and ground leases, as a lease liability of \$10.0 million, included in accounts payable and accrued liabilities on the consolidated balance sheets, and a corresponding right-of-use asset, included in accounts receivable, prepaid expenses and other assets, net on the consolidated balance sheets. Upon adoption of Topic 842 and as of the adoption date, the Company recorded a \$32.5 million reduction in equity and accounts receivable due to the cumulative effect of this change. This reduction consisted of \$17.5 million of straight-line rental income receivables and \$15.0 million of cash rent receivables, although management believes the \$15.0 million of cash rent receivables are collectible.

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 requires that a financial asset (or a group of financial assets) measured at amortized cost basis be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial

asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The amendments in ASU 2016-13 are an improvement because they eliminate the probable initial recognition threshold under current GAAP and, instead, reflect an entity's current estimate of all expected credit losses. Previously, when credit losses were measured under GAAP, an entity generally only considered past events and current conditions in measuring the incurred loss. In November 2018, the FASB issued ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments—Credit Losses (“ASU 2018-19”), which amends ASU 2016-13 to clarify that receivables arising from operating leases are not within the scope of Subtopic 326-20, and instead, impairment of such receivables should be accounted for in accordance with Topic 842. In November 2019, the FASB issued ASU 2019-11, Codification Improvements to Topic 326, Financial Instruments—Credit Losses (“ASU 2019-11”), which amends ASU 2016-13 to clarify or address stakeholders' specific issues about certain aspects of ASU 2016-13. ASU 2016-13, ASU 2018-19 and ASU 2019-11 are effective for fiscal years and interim periods within those years beginning after December 15, 2019, with early adoption permitted as of the fiscal years beginning after December 15, 2018. An entity will apply the amendments in these updates through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). The Company adopted ASU 2016-13, ASU 2018-19 and ASU 2019-11 (collectively, “Topic 326”) on January 1, 2020.

The financial assets within the scope of Topic 326 are the Company's investments in a sales-type lease and loans receivable, including the portion of unfunded loan commitments expected to be funded. The allowance for credit losses is calculated using the related amortization schedules, payment histories and loan-to-value ratios. The following rates are applied to determine the aggregate expected losses, which is recorded as the allowance for credit losses: (i) a default rate, (ii) a liquidation cost rate and (iii) a distressed property reduction rate. If no loan-to-value ratio is available, a loss severity rate is applied in place of the liquidation cost rate and the distressed property reduction rate. The default rate is based on average charge-off and delinquency rates from the Federal Reserve, and the other rates are based on industry research and historical performance of a similar portfolio of financial assets. Related interest income receivable balances are evaluated separately for collectability, and reserves are established based on management's estimate of losses.

Upon adoption of these standards, the Company recognized the cumulative effect on the opening balance of the allowance for credit losses in the condensed consolidated balance sheets, which resulted in an increase to cumulative distributions in excess of net income and a decrease to total assets of \$0.2 million.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement (“ASU 2018-13”). ASU 2018-13 updates the fair value measurement disclosure requirements by (i) eliminating certain requirements, including disclosure of the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels and the valuation processes for Level 3 fair value measurements, (ii) modifying certain requirements, including clarifying that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date and (iii) adding certain requirements, including disclosure of the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. ASU 2018-13 is effective for fiscal years and interim periods within those years beginning after December 15, 2019, with early adoption permitted for any eliminated or modified disclosures. The Company adopted ASU 2018-13 on January 1, 2020. The adoption of ASU 2018-13 did not have a material impact on the Company's consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40) (“ASU 2020-06”). ASU 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. Among other changes, ASU 2020-06 removes the liability and equity separation models for convertible instruments. Instead, entities will account for convertible debt instruments wholly as debt unless convertible instruments contain features that require bifurcation as a derivative or that result in substantial premiums accounted for as paid-in capital. ASU 2020-06 also requires the application of the if-converted method to calculate the impact of convertible instruments on diluted earnings per share. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted for fiscal years beginning after December 15, 2020, and can be adopted on either a retrospective or modified retrospective basis. The Company adopted ASU 2020-06 on January 1, 2021. The adoption of ASU 2020-06 did not have an impact on the Company's consolidated financial statements.

#### *Issued but Not Yet Adopted*

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting (“ASU 2020-04”). ASU 2020-04 provides temporary optional guidance that provides transition relief for reference rate reform, including optional expedients and exceptions for applying GAAP to contract modifications, hedging relationships and other transactions that reference LIBOR or a reference rate that is expected to be

discontinued as a result of reference rate reform if certain criteria are met. ASU 2020-04 is effective upon issuance, and the provisions generally can be applied prospectively as of January 1, 2020 through December 31, 2022. During the first quarter of 2020, the Company elected to apply the hedge accounting expedients related to probability and 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 derivatives consistent with past presentation. In January 2021, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848), which refines the scope of Topic 848 and clarifies some of its guidance. The Company continues to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur.

### 3. RECENT REAL ESTATE ACQUISITIONS

During the year ended December 31, 2020, the Company acquired three Senior Housing - Leased communities and one Senior Housing - Managed community. These investments were part of the Company's proprietary development pipeline, and \$20.7 million was previously funded through its preferred equity investments in these developments. During the year ended December 31, 2019, the Company acquired one Senior Housing - Leased community, three specialty hospitals/other facilities and one Senior Housing - Managed community. The consideration was allocated as follows (in thousands):

	Year Ended December 31,	
	2020	2019
Land	\$ 5,800	\$ 10,049
Building and improvements	104,952	39,434
Tenant origination and absorption costs intangible assets	2,578	1,438
Tenant relationship intangible assets	347	215
Total consideration	\$ 113,677	\$ 51,136

The tenant origination and absorption costs intangible assets and tenant relationship intangible assets had weighted-average amortization periods as of the respective dates of acquisition of seven years and 25 years, respectively, for acquisitions completed during the year ended December 31, 2020, and six years and 21 years, respectively, for acquisitions completed during the year ended December 31, 2019.

For the year ended December 31, 2020, the Company recognized \$12.5 million and \$4.8 million of total revenues and net income attributable to common stockholders, respectively, from the facilities acquired during the year ended December 31, 2020. For the year ended December 31, 2019, the Company recognized \$0.8 million and \$0.4 million of total revenues and net income attributable to common stockholders, respectively, from the facilities acquired during the year ended December 31, 2019.

### 4. REAL ESTATE PROPERTIES HELD FOR INVESTMENT

#### Real Estate Investments

The Company's real estate properties held for investment consisted of the following (dollars in thousands):

#### *As of December 31, 2020*

Property Type	Number of Properties	Number of Beds/Units	Total Real Estate at Cost	Accumulated Depreciation	Total Real Estate Investments, Net
Skilled Nursing/Transitional Care	287	31,761	\$ 3,644,470	\$ (385,094)	\$ 3,259,376
Senior Housing - Leased	65	4,282	707,634	(87,600)	620,034
Senior Housing - Managed	47	4,924	942,996	(142,538)	800,458
Specialty Hospitals and Other	27	1,092	670,793	(66,021)	604,772
	<u>426</u>	<u>42,059</u>	<u>5,965,893</u>	<u>(681,253)</u>	<u>5,284,640</u>
Corporate Level			802	(404)	398
			<u>\$ 5,966,695</u>	<u>\$ (681,657)</u>	<u>\$ 5,285,038</u>

*As of December 31, 2019*

Property Type	Number of Properties	Number of Beds/Units	Total Real Estate at Cost	Accumulated Depreciation	Total Real Estate Investments, Net
Skilled Nursing/Transitional Care	296	33,290	\$ 3,701,666	\$ (306,565)	\$ 3,395,101
Senior Housing - Leased	62	3,820	630,688	(72,278)	558,410
Senior Housing - Managed	46	4,809	907,771	(112,893)	794,878
Specialty Hospitals and Other	25	1,193	639,721	(47,124)	592,597
	<u>429</u>	<u>43,112</u>	<u>5,879,846</u>	<u>(538,860)</u>	<u>5,340,986</u>
Corporate Level			<u>737</u>	<u>(353)</u>	<u>384</u>
			<u>\$ 5,880,583</u>	<u>\$ (539,213)</u>	<u>\$ 5,341,370</u>

	December 31, 2020	December 31, 2019
Building and improvements	\$ 5,120,598	\$ 5,042,435
Furniture and equipment	249,034	239,229
Land improvements	2,220	1,534
Land	594,843	597,385
	<u>5,966,695</u>	<u>5,880,583</u>
Accumulated depreciation	(681,657)	(539,213)
	<u>\$ 5,285,038</u>	<u>\$ 5,341,370</u>

### Operating Leases

As of December 31, 2020, the substantial majority of the Company's real estate properties (excluding 47 Senior Housing - Managed communities) were leased under triple-net operating leases with expirations ranging from less than one year to 16 years. As of December 31, 2020, the leases had a weighted-average remaining term of eight years. The leases generally include provisions to extend the lease terms and other negotiated terms and conditions. The Company, through its subsidiaries, retains substantially all of the risks and benefits of ownership of the real estate assets leased to the tenants. The Company may receive additional security under these operating leases in the form of letters of credit and security deposits from the lessee or guarantees from the parent of the lessee. Security deposits received in cash related to tenant leases are included in accounts payable and accrued liabilities on the accompanying consolidated balance sheets and totaled \$17.5 million and \$10.5 million as of December 31, 2020 and 2019, respectively, and letters of credit deposited with the Company totaled approximately \$85 million and \$83 million as of December 31, 2020 and 2019, respectively. In addition, the Company's tenants have deposited with the Company \$16.9 million and \$14.3 million as of December 31, 2020 and 2019, respectively, for future real estate taxes, insurance expenditures and tenant improvements related to the Company's properties and their operations, and these amounts are included in accounts payable and accrued liabilities on the accompanying consolidated balance sheets.

Lessor costs that are paid by the lessor and reimbursed by the lessee are included in the measurement of variable lease revenue and the associated expense. As a result, the Company recognized variable lease revenue and the associated expense of \$20.9 million and \$17.6 million during the years ended December 31, 2020 and 2019, respectively.

The Company monitors the creditworthiness of its tenants by reviewing credit ratings (if available) and evaluating the ability of the tenants to meet their lease obligations to the Company based on the tenants' financial performance, including the evaluation of any parent guarantees (or the guarantees of other related parties) of tenant lease obligations. As formal credit ratings may not be available for most of the Company's tenants, the primary basis for the Company's evaluation of the credit quality of its tenants (and more specifically the tenant's ability to pay their rent obligations to the Company) is the tenant's lease coverage ratio or the parent's fixed charge coverage ratio for those entities with a parent guarantee. These coverage ratios include earnings before interest, taxes, depreciation, amortization and rent ("EBITDAR") to rent and earnings before interest, taxes, depreciation, amortization, rent and management fees ("EBITDARM") to rent at the lease level and consolidated EBITDAR to total fixed charges at the parent guarantor level when such a guarantee exists. The Company obtains various financial and operational information from its tenants each month and reviews this information in conjunction with the above-described coverage metrics to identify financial and operational trends, evaluate the impact of the industry's operational and financial environment (including the impact of government reimbursement), and evaluate the management of the tenant's operations. These metrics help the Company identify potential areas of concern relative to its tenants' credit quality and ultimately the tenant's ability to generate sufficient liquidity to meet its obligations, including its obligation to continue to pay the rent due to the Company.

During the year ended December 31, 2020, the auditors for Genesis Healthcare, Inc. (“Genesis”) and subsidiaries of Signature Healthcare (“Signature”) that lease facilities from the Company each expressed substantial doubt over the respective abilities of Genesis and Signature to continue as a going concern. Accordingly, the Company concluded that its leases with Genesis and Signature should no longer be accounted for on an accrual basis and wrote off \$14.3 million of non-cash rent receivable balances and lease intangibles related to these leases.

For the year ended December 31, 2020, no tenant relationship represented 10% or more of the Company’s total revenues.

As of December 31, 2020, the future minimum rental payments from the Company’s properties held for investment under non-cancelable operating leases were as follows and may materially differ from actual future rental payments received (in thousands):

2021	\$	434,074
2022		418,547
2023		408,367
2024		409,357
2025		399,984
Thereafter		1,561,535
	\$	<u>3,631,864</u>

### Senior Housing - Managed Communities

The Company’s Senior Housing - Managed communities offer residents certain ancillary services that are not contemplated in the lease with each resident (i.e., housekeeping, laundry, guest meals, etc.). These services are provided and paid for in addition to the standard services included in each resident lease (i.e., room and board, standard meals, etc.). The Company bills residents for ancillary services one month in arrears and recognizes revenue as the services are provided, as the Company has no continuing performance obligation related to those services. Resident fees and services includes ancillary service revenue of \$0.9 million, \$0.8 million and \$0.5 million for the years ended December 31, 2020, 2019 and 2018, respectively.

### Investment in Unconsolidated Joint Venture

The Company has a 49% equity interest in the Enlivant Joint Venture with affiliates of Enlivant and TPG Real Estate, the real estate platform of TPG, that owns senior housing communities managed by Enlivant. During the year ended December 31, 2020, the Enlivant Joint Venture sold 12 senior housing communities for aggregate gross proceeds of \$18.2 million, and the Company recorded an aggregate net loss on sale of real estate related to unconsolidated joint venture of \$3.3 million. During the year ended December 31, 2019, the Enlivant Joint Venture sold two senior housing communities for aggregate gross proceeds of \$6.3 million, and the Company recorded an aggregate net loss on sale of real estate related to unconsolidated joint venture of \$1.7 million. As of December 31, 2020, the Enlivant Joint Venture owned 158 senior housing communities, and the book value of the Company’s investment in the Enlivant Joint Venture was \$288.8 million.

The following tables present summarized financial information for the Enlivant Joint Venture and, except for basis adjustments and loss from unconsolidated joint venture, reflect the historical cost basis of the assets which pre-dated the Company’s investment in the Enlivant Joint Venture (in thousands):

	As of December 31,	
	2020	2019
Total assets	\$ 490,541	\$ 504,920
Total liabilities	824,410	815,299
Member’s deficit	(333,869)	(310,379)

	Year Ended December 31,		
	2020	2019	2018
Total revenues	\$ 299,031	\$ 312,055	\$ 303,486
Operating expenses	240,331	231,659	228,458
Net income	5,196	13,161	10,378
Company's share of net income	\$ 2,546	\$ 6,449	\$ 5,085
Basis adjustments	19,145	13,245	10,516
Loss from unconsolidated joint venture	\$ (16,599)	\$ (6,796)	\$ (5,431)

The Enlivant Joint Venture has experienced decreased occupancy and increased operating costs as a result of the impact from the COVID-19 pandemic that, if they continue to negatively impact the operating results of the Enlivant Joint Venture for a prolonged period, could result in the determination that the full amount of the Company's investment is not recoverable, resulting in a possible impairment charge.

### Net Investment in Sales-Type Lease

During the year ended December 31, 2020, the Company modified its direct financing lease and reassessed the classification of this lease in accordance with Topic 842 and determined the lease should be accounted for as a sales-type lease. As of December 31, 2020, the Company had a \$24.2 million net investment in one skilled nursing/transitional care facility leased to an operator under a sales-type lease, as the tenant is obligated to purchase the property at the end of the lease term. The net investment in sales-type lease is recorded in accounts receivable, prepaid expenses and other assets, net on the accompanying consolidated balance sheets and represents the present value of total rental payments of \$2.3 million, plus the estimated purchase price of \$24.8 million, less the unearned lease income of \$2.8 million and allowance for credit losses of \$0.1 million as of December 31, 2020. Unearned lease income represents the excess of the minimum lease payments and residual value over the cost of the investment. Unearned lease income is deferred and amortized to income over the lease term to provide a constant yield when collectability of the lease payments is reasonably assured. Income from the Company's net investment in sales-type lease was \$2.7 million, \$2.7 million and \$2.6 million for the years ended December 31, 2020, 2019 and 2018, respectively, and is reflected in interest and other income on the accompanying consolidated statements of income. Upon adoption of Topic 326 on January 1, 2020 and as of the adoption date, the Company recorded a \$0.2 million reduction in equity and increase to its allowance for credit losses due to the cumulative effect of the changes contemplated by Topic 326. During the year ended December 31, 2020, the Company reduced its allowance for credit losses by \$0.1 million. Future minimum lease payments contractually due under the sales-type lease at December 31, 2020, were as follows: \$2.3 million for 2021, \$2.4 million for 2022 and \$0.8 million for 2023.

## 5. IMPAIRMENT OF REAL ESTATE AND DISPOSITIONS

### 2020

#### *Impairment of Real Estate*

During the year ended December 31, 2020, the Company recognized a \$4.0 million real estate impairment related to one skilled nursing/transitional care facility sold during the year and three senior housing communities.

#### *Dispositions*

During the year ended December 31, 2020, the Company completed the sale of eight skilled nursing/transitional care facilities for aggregate consideration, net of closing costs, of \$50.0 million. The net carrying value of the assets and liabilities of these facilities was \$47.1 million, which resulted in an aggregate \$2.9 million net gain on sale.

During the year ended December 31, 2020, the Company recognized \$4.0 million of net income, which includes the \$2.9 million net gain on sale and \$0.6 million of real estate impairment, during the year ended December 31, 2019, the Company recognized \$12.6 million of net loss, which includes \$15.5 million of real estate impairment, and during the year ended December 31, 2018, the Company recognized \$5.4 million of net income, in each case from these facilities. The sale of these facilities does not represent a strategic shift that has or will have a major effect on the Company's operations and financial results, and therefore the results of operations attributable to these facilities have remained in continuing operations.

## **2019**

### *Impairment of Real Estate*

During the year ended December 31, 2019, the Company recognized a \$121.8 million real estate impairment, of which \$95.2 million related to the 30 Senior Care Centers facilities that the Company sold and one additional Senior Care Centers facility that the Company transitioned to another operator, and the remaining \$26.6 million related to six skilled nursing/transitional care facilities that were subsequently sold, and four senior housing communities.

### *Dispositions*

During the year ended December 31, 2019, the Company completed the sale of 39 skilled nursing/transitional care facilities and seven senior housing communities for aggregate consideration, net of closing costs, of \$323.6 million. The net carrying value of the assets and liabilities of these facilities was \$321.3 million, resulting in an aggregate \$2.3 million net gain on sale.

During the year ended December 31, 2019, the Company recognized \$84.9 million of net loss, which includes \$89.4 million of real estate impairment and the \$2.3 million net gain on sale, and during the year ended December 31, 2018, recognized \$19.1 million of net income, which includes \$0.9 million of real estate impairment, in each case from these facilities. The sale of these facilities does not represent a strategic shift that has or will have a major effect on the Company's operations and financial results, and therefore the results of operations attributable to these facilities have remained in continuing operations.

## **2018**

### *Impairment of Real Estate*

During the year ended December 31, 2018, the Company recognized a \$1.4 million real estate impairment, of which \$0.9 million related to one skilled nursing/transitional care facility that was subsequently sold and \$0.5 million related to one senior housing community sold during the year.

### *Dispositions*

During the year ended December 31, 2018, the Company completed the sale of 51 skilled nursing/transitional care facilities, six senior housing communities and one Senior Housing - Managed community for aggregate consideration, net of closing costs, of \$382.6 million. The net carrying value of the assets and liabilities of these facilities was \$254.4 million, resulting in an aggregate \$128.2 million net gain on sale.

During the year ended December 31, 2018, the Company recognized \$151.3 million of net income, which includes the \$128.2 million net gain on sale and \$0.5 million of real estate impairment. The sale of these facilities does not represent a strategic shift that has or will have a major effect on the Company's operations and financial results, and therefore the results of operations attributable to these facilities have remained in continuing operations.

## 6. INTANGIBLE ASSETS AND LIABILITIES

The following table summarizes the Company's intangible assets and liabilities as of December 31, 2020 and 2019 (in thousands):

	December 31,	
	2020	2019
<b>Lease Intangible Assets:</b>		
Above market leases	\$ 35,695	\$ 51,040
Tenant origination and absorption costs	60,413	65,234
Tenant relationship	23,289	23,150
Gross lease intangible assets	<u>119,397</u>	<u>139,424</u>
Accumulated amortization	<u>(36,601)</u>	<u>(37,915)</u>
Lease intangible assets, net	<u>\$ 82,796</u>	<u>\$ 101,509</u>
<b>Lease Intangible Liabilities:</b>		
Below market leases	\$ 89,389	\$ 99,133
Accumulated amortization	<u>(31,664)</u>	<u>(29,187)</u>
Lease intangible liabilities, net	<u>\$ 57,725</u>	<u>\$ 69,946</u>

The following is a summary of real estate intangible amortization income (expense) for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Increase (decrease) to rental income related to above/below market leases, net	\$ 849	\$ 508	\$ (7,701)
Depreciation and amortization related to tenant origination and absorption costs and tenant relationship	(10,620)	(17,674)	(16,118)

The remaining unamortized balance for these outstanding intangible assets and liabilities as of December 31, 2020 will be amortized for the years ending December 31 as follows (dollars in thousands):

	Lease Intangible Assets	Lease Intangible Liabilities
2021	\$ 10,277	\$ 8,012
2022	9,936	7,269
2023	8,895	7,269
2024	8,480	7,168
2025	8,012	6,228
Thereafter	<u>37,196</u>	<u>21,779</u>
	<u>\$ 82,796</u>	<u>\$ 57,725</u>
Weighted-average remaining amortization period	10.3 years	8.5 years

## 7. LOANS RECEIVABLE AND OTHER INVESTMENTS

As of December 31, 2020 and 2019, the Company's loans receivable and other investments consisted of the following (dollars in thousands):

Investment	Quantity as of December 31, 2020	Property Type	Principal Balance as of December 31, 2020 <sup>(1)</sup>	Book Value as of December 31, 2020	Book Value as of December 31, 2019	December 31, 2020		Maturity Date as of December 31, 2020
						Weighted Average Contractual Interest Rate / Rate of Return	Weighted Average Annualized Effective Interest Rate / Rate of Return	
<b>Loans Receivable:</b>								
Mortgage	1	Specialty Hospital	\$ 19,000	\$ 19,000	\$ 19,000	10.0 %	10.0 %	01/31/27
Construction	1	Senior Housing	3,343	3,352	2,487	8.0 %	7.8 %	09/30/22
Other	16	Multiple	42,977	39,005	42,147	6.8 %	6.9 %	03/01/21-08/31/28
	18		65,320	61,357	63,634	7.8 %	7.9 %	
Allowance for loan losses			—	(2,458)	(564)			
			\$ 65,320	\$ 58,899	\$ 63,070			
<b>Other Investments:</b>								
Preferred Equity	6	Skilled Nursing / Senior Housing	43,724	43,940	44,304	11.3 %	11.3 %	N/A
Total	24		\$ 109,044	\$ 102,839	\$ 107,374	9.2 %	9.3 %	

<sup>(1)</sup> Principal balance includes amounts funded and accrued but unpaid interest / preferred return and excludes capitalizable fees.

As of December 31, 2020 and 2019, the Company had four loans receivable investments, with an aggregate principal balance of \$2.1 million and \$27.7 million, respectively, that were considered to have deteriorated credit quality. As of December 31, 2020 and 2019, the book value of the outstanding loans with deteriorated credit quality was \$0.5 million and \$4.2 million, respectively.

The following table presents changes in the accretable yield for the years ended December 31, 2020 and 2019 (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Accretable yield, beginning of period	\$ 39	\$ 449	\$ 2,483
Accretion recognized in earnings	(27)	(377)	(2,761)
Reduction due to payoff	—	(33)	—
Net reclassification from nonaccretable difference	—	—	727
Accretable yield, end of period	\$ 12	\$ 39	\$ 449

During the year ended December 31, 2020, the Company increased its allowance for loan losses by \$1.9 million.

As of December 31, 2020, the Company had a \$2.5 million allowance for loan losses. As of December 31, 2020, two loans receivable investments with no book value were on nonaccrual status. As of December 31, 2020, the Company did not consider any preferred equity investments to be impaired, and no preferred equity investments were on nonaccrual status.

During the year ended December 31, 2019, the Company recorded a \$1.2 million provision for specific loan losses and increased its portfolio-based loan loss reserve by \$4,000.

As of December 31, 2019, the Company had no asset-specific loan loss reserve and a \$0.6 million portfolio-based loan loss reserve. As of December 31, 2019, the Company did not consider any loans receivable investments to be impaired. As of December 31, 2019, two loans receivable investments with no book value were on nonaccrual status. As of December 31, 2019, the Company did not consider any preferred equity investments to be impaired, and no preferred equity investments were on nonaccrual status.

## 8. DEBT

### Secured Indebtedness

The Company's secured debt consists of the following (dollars in thousands):

Interest Rate Type	Principal Balance as of December 31, 2020 <sup>(1)</sup>	Principal Balance as of December 31, 2019 <sup>(1)</sup>	Weighted Average Interest Rate at December 31, 2020 <sup>(2)</sup>	Maturity Date
Fixed Rate	\$ 80,199	\$ 114,777	3.39 %	December 2021 - August 2051

<sup>(1)</sup> Principal balance does not include deferred financing costs, net of \$1.1 million and \$1.7 million as of December 31, 2020 and 2019, respectively.

<sup>(2)</sup> Weighted average interest rate includes private mortgage insurance.

During the year ended December 31, 2020, the Company sold three facilities that secured an aggregate \$31.8 million of debt which was assumed by the buyers of the facilities and recognized a \$0.5 million loss on extinguishment of debt related to write-offs of deferred financing costs in connection with the sales.

During the year ended December 31, 2018, the Company (i) prepaid a \$98.5 million variable rate secured term loan and recognized a \$2.0 million loss on extinguishment of debt related to prepayment penalty fees associated with the early repayment of the loan and (ii) repaid \$37.6 million of fixed rate debt secured by facilities sold during the year ended December 31, 2018 and recognized a \$0.9 million loss on extinguishment of debt related to write-offs of deferred financing costs in connection with this repayment.

### Senior Unsecured Notes

The Company's senior unsecured notes consist of the following (dollars in thousands):

Title	Maturity Date	Principal Balance as of December 31,	
		2020 <sup>(1)</sup>	2019 <sup>(1)</sup>
4.80% senior unsecured notes due 2024 ("2024 Notes")	June 1, 2024	\$ 300,000	\$ 300,000
5.125% senior unsecured notes due 2026 ("2026 Notes")	August 15, 2026	500,000	500,000
5.38% senior unsecured notes due 2027 ("2027 Notes")	May 17, 2027	100,000	100,000
3.90% senior unsecured notes due 2029 ("2029 Notes")	October 15, 2029	350,000	350,000
		\$ 1,250,000	\$ 1,250,000

<sup>(1)</sup> Principal balance does not include premium, net of \$6.4 million and deferred financing costs, net of \$8.0 million as of December 31, 2020 and does not include premium, net of \$7.6 million and deferred financing costs, net of \$8.8 million as of December 31, 2019.

**5.5% Notes Due 2021.** On January 23, 2014, the Operating Partnership and Sabra Capital Corporation, wholly owned subsidiaries of the Company (the "Issuers"), issued \$350.0 million aggregate principal amount of 5.5% senior unsecured notes due 2021 (the "Original 2021 Notes"), and on October 10, 2014, they issued \$150.0 million aggregate principal amount of 5.5% senior unsecured notes due 2021, which were treated as a single class with, and had the same terms as, the Original 2021 Notes (the additional notes and the Original 2021 Notes, together, the "2021 Notes"). The 2021 Notes accrued interest at a rate of 5.5% per annum payable semiannually on February 1 and August 1 of each year.

On June 29, 2019, the Issuers redeemed all \$500.0 million aggregate principal amount outstanding of the 2021 Notes at a cash redemption price of 101.375% of the principal amount being redeemed, plus accrued and unpaid interest. The redemption resulted in \$10.1 million of redemption related costs and write-offs for the year ended December 31, 2019, consisting of \$6.9 million in payments made to noteholders and legal fees for early redemption and \$3.2 million of write-offs associated with unamortized deferred financing and premium costs. These amounts are included in loss on extinguishment of debt on the accompanying consolidated statements of income.

**5.375% Notes Due 2023.** On May 23, 2013, the Issuers issued \$200.0 million aggregate principal amount of 5.375% senior unsecured notes due 2023 (the "2023 Notes"). The 2023 Notes accrued interest at a rate of 5.375% per annum payable semiannually on June 1 and December 1 of each year.

On October 27, 2019, the Issuers redeemed all \$200.0 million aggregate principal amount outstanding of the 2023 Notes at a cash redemption price of 101.792% of the principal amount being redeemed, plus accrued and unpaid interest. The redemption resulted in \$5.6 million of redemption related costs and write-offs for the year ended December 31, 2019, consisting of \$3.6 million in payments made to noteholders and legal fees for early redemption and \$2.0 million of write-offs associated

with unamortized deferred financing costs. These amounts are included in loss on extinguishment of debt on the accompanying consolidated statements of income.

*4.80% Notes Due 2024.* On May 29, 2019, the Issuers completed an underwritten public offering of \$300.0 million aggregate principal amount of 4.80% senior unsecured notes due 2024 (the “2024 Notes”). The net proceeds were \$295.3 million after deducting underwriting discounts and other offering expenses. The net proceeds, together with borrowings under the Revolving Credit Facility, were used to redeem the 2021 Notes as discussed above. The 2024 Notes accrue interest at a rate of 4.80% per annum payable semiannually on June 1 and December 1 of each year. Upon redemption of the 2023 Notes as discussed above, Sabra Capital Corporation’s obligations as a co-issuer under the 2024 Notes were automatically released and discharged.

The 2024 Notes are redeemable at the option of the Operating Partnership, in whole or in part at any time and from time to time, prior to May 1, 2024, at a price equal to 100% of the principal amount, together with any accrued and unpaid interest to, but not including, the redemption date, plus a make-whole premium. The Operating Partnership may also redeem the 2024 Notes on or after May 1, 2024, at a price equal to 100% of the principal amount, together with any accrued and unpaid interest to, but not including, the redemption date. Assuming the 2024 Notes are not redeemed, the 2024 Notes mature on June 1, 2024.

*5.125% Notes Due 2026.* In connection with the Company’s merger with Care Capital Properties (“CCP”), on August 17, 2017, the Operating Partnership assumed \$500.0 million aggregate principal amount of 5.125% senior unsecured notes due 2026 (the “2026 Notes”) issued by Care Capital Properties, LP in July 2016. The 2026 Notes accrue interest at a rate of 5.125% per annum payable semiannually on February 15 and August 15 of each year.

The Operating Partnership may, at its option, redeem the 2026 Notes at any time in whole or from time to time in part prior to their stated maturity. The redemption price for 2026 Notes that are redeemed will be equal to (i) 100% of their principal amount, together with accrued and unpaid interest thereon, if any, to (but excluding) the date of redemption, plus, (ii) if redeemed prior to May 15, 2026, a make-whole premium. Assuming the 2026 Notes are not redeemed, the 2026 Notes mature on August 15, 2026.

*5.38% Notes Due 2027.* In connection with the Company’s merger with CCP, on August 17, 2017, the Operating Partnership assumed \$100.0 million aggregate principal amount of unregistered 5.38% senior unsecured notes due 2027 (the “2027 Notes”) issued by Care Capital Properties, LP in May 2016. The 2027 Notes accrue interest at a rate of 5.38% per annum payable semiannually on May 17 and November 17 of each year.

The Operating Partnership may prepay the 2027 Notes, in whole at any time or in part from time to time, at 100% of the principal amount to be prepaid plus a make-whole premium. Assuming the 2027 Notes are not redeemed, the 2027 Notes mature on May 17, 2027.

*3.90% Notes Due 2029.* On October 7, 2019, the Issuers completed an underwritten public offering of \$350.0 million aggregate principal amount of 3.90% senior unsecured notes due 2029 (the “2029 Notes”). The net proceeds were \$340.5 million after deducting underwriting discounts and other offering expenses. A portion of the net proceeds was used to redeem all of the 2023 Notes as discussed above, and the remaining net proceeds were used to repay borrowings outstanding on the Revolving Credit Facility. The 2029 Notes accrue interest at a rate of 3.90% per annum payable semiannually on April 15 and October 15 of each year. Upon redemption of the 2023 Notes as discussed above, Sabra Capital Corporation’s obligations as a co-issuer under the 2029 Notes were automatically released and discharged.

The 2029 Notes are redeemable at the option of the Operating Partnership, in whole or in part at any time and from time to time, prior to July 15, 2029, at a price equal to 100% of the principal amount, together with any accrued and unpaid interest to, but not including, the redemption date, plus a make-whole premium. The Operating Partnership may also redeem the 2029 Notes on or after July 15, 2029, at a price equal to 100% of the principal amount, together with any accrued and unpaid interest to, but not including, the redemption date. Assuming the 2029 Notes are not redeemed, the 2029 Notes mature on October 15, 2029.

The obligations under the 2024 Notes and 2027 Notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured basis, by Sabra and one of its non-operating subsidiaries, subject to release under certain customary circumstances. The obligations under the 2026 Notes and 2029 Notes are fully and unconditionally guaranteed, on an unsecured basis, by Sabra; provided, however, that such guarantee is subject to release under certain customary circumstances.

The indenture governing the 2024 Notes contains restrictive covenants that, among other things, restrict the ability of Sabra, the Issuers and their restricted subsidiary to: (i) incur or guarantee additional indebtedness; (ii) incur or guarantee secured indebtedness; and (iii) merge or consolidate or sell all or substantially all of their assets. The indenture governing the 2024 Notes also provides for customary events of default, including, but not limited to, the failure to make payments of interest

or premium, if any, on, or principal of, the 2024 Notes, the failure to comply with certain covenants and agreements specified in the indenture for a period of time after notice has been provided, the acceleration of other indebtedness resulting from the failure to pay principal on such other indebtedness prior to its maturity, and certain events of insolvency. If any event of default occurs, the principal of, premium, if any, and accrued interest on all the then-outstanding 2024 Notes may become due and payable immediately. The indenture governing the 2024 Notes requires Sabra, the Issuers and their restricted subsidiary to maintain Total Unencumbered Assets (as defined in the indentures) of at least 150% of the Company's unsecured indebtedness.

The indenture governing the 2026 Notes contains certain covenants that, among other things, limits the ability of Sabra, the Issuers and their subsidiaries to: (i) consummate a merger, consolidate or sell all or substantially all of our consolidated assets and (ii) incur secured or unsecured indebtedness. In addition, Sabra, the Operating Partnership and their subsidiaries are required to maintain at all times consolidated unencumbered total asset value in an amount not less than 150% of the aggregate outstanding principal amount of the Company's consolidated unsecured debt.

The agreement governing the 2027 Notes provides for customary events of default, including, but not limited to, the failure to make payments of interest or premium, if any, on, or principal of, the 2027 Notes, the failure to comply with certain covenants and agreements specified in the agreement governing the 2027 Notes for a period of time after notice has been provided, the acceleration of other indebtedness resulting from the failure to pay principal on such other indebtedness prior to its maturity, and certain events of insolvency. In addition, certain change of control events constitute an event of default under the agreement governing the 2027 Notes. If any event of default occurs, the principal of, premium, if any, and accrued interest on all the then-outstanding 2027 Notes may become due and payable immediately.

The indenture governing the 2029 Notes contains restrictive covenants that, among other things, restrict the ability of Sabra, the Issuers and their subsidiaries to: (i) incur or guarantee additional indebtedness; (ii) incur or guarantee secured indebtedness; and (iii) merge or consolidate or sell all or substantially all of their assets. The indenture governing the 2029 Notes also provides for customary events of default, including, but not limited to, the failure to make payments of interest or premium, if any, on, or principal of, the 2029 Notes, the failure to comply with certain covenants and agreements specified in the indenture for a period of time after notice has been provided, the acceleration of other indebtedness resulting from the failure to pay principal on such other indebtedness prior to its maturity, and certain events of insolvency. If any event of default occurs, the principal of, premium, if any, and accrued interest on all the then-outstanding 2029 Notes may become due and payable immediately. The indenture governing the 2029 Notes requires Sabra, the Issuers and their subsidiaries to maintain Total Unencumbered Assets (as defined in the indentures) of at least 150% of the Company's unsecured indebtedness.

The Company was in compliance with all applicable financial covenants under the indentures and agreements (the "Senior Notes Indentures") governing the 2024 Notes, 2026 Notes, 2027 Notes and 2029 Notes (collectively, the "Senior Notes") outstanding as of December 31, 2020.

## **Credit Agreement**

On September 9, 2019, the Operating Partnership and Sabra Canadian Holdings, LLC (together, the "Borrowers"), Sabra and the other parties thereto entered into a fifth amended and restated unsecured credit agreement (the "Credit Agreement").

The Credit Agreement includes a \$1.0 billion revolving credit facility (the "Revolving Credit Facility"), \$955.0 million in U.S. dollar term loans and a CAD \$125.0 million Canadian dollar term loan (collectively, the "Term Loans"). Further, up to \$175.0 million of the Revolving Credit Facility may be used for borrowings in certain foreign currencies. The Credit Agreement also contains an accordion feature that can increase the total available borrowings to \$2.75 billion, subject to terms and conditions.

The Revolving Credit Facility has a maturity date of September 9, 2023, and includes two six-month extension options. \$105.0 million of the U.S. dollar Term Loans has a maturity date of September 9, 2022, \$350.0 million of the U.S. dollar Term Loans has a maturity date of September 9, 2023, and the other Term Loans have a maturity date of September 9, 2024.

As of December 31, 2020, there were no amounts outstanding under the Revolving Credit Facility and \$1.0 billion available for borrowing.

Borrowings under the Revolving Credit Facility bear interest on the outstanding principal amount at a rate equal to a ratings-based applicable interest margin plus, at the Operating Partnership's option, either (a) LIBOR or (b) a base rate determined as the greater of (i) the federal funds rate plus 0.5%, (ii) the prime rate, and (iii) one-month LIBOR plus 1.0% (the "Base Rate"). The ratings-based applicable interest margin for borrowings will vary based on the Debt Ratings, as defined in the Credit Agreement, and will range from 0.775% to 1.45% per annum for LIBOR based borrowings and 0.00% to 0.45% per annum for borrowings at the Base Rate. As of December 31, 2020, the interest rate on the Revolving Credit Facility was 1.24%.

In addition, the Operating Partnership pays a facility fee ranging between 0.125% and 0.300% per annum based on the aggregate amount of commitments under the Revolving Credit Facility regardless of amounts outstanding thereunder.

The U.S. dollar Term Loans bear interest on the outstanding principal amount at a rate equal to a ratings-based applicable interest margin plus, at the Operating Partnership's option, either (a) LIBOR or (b) the Base Rate. The ratings-based applicable interest margin for borrowings will vary based on the Debt Ratings and will range from 0.85% to 1.65% per annum for LIBOR based borrowings and 0.00% to 0.65% per annum for borrowings at the Base Rate. As of December 31, 2020, the interest rate on the U.S. dollar Term Loans was 1.39%. The Canadian dollar Term Loan bears interest on the outstanding principal amount at a rate equal to the Canadian Dollar Offered Rate ("CDOR") plus an interest margin that ranges from 0.85% to 1.65% depending on the Debt Ratings. As of December 31, 2020, the interest rate on the Canadian dollar Term Loan was 1.71%.

The Company has interest rate swaps that fix the LIBOR portion of the interest rate for \$845.0 million of LIBOR-based borrowings under its U.S. dollar Term Loans at a weighted average rate of 1.24% and an interest rate swap that fixes the CDOR portion of the interest rate for CAD \$125.0 million of CDOR-based borrowings under its Canadian dollar Term Loan at a rate of 0.93%. In addition, CAD \$125.0 million of the Canadian dollar Term Loan is designated as a net investment hedge. See Note 9, "Derivative and Hedging Instruments," for further information.

The obligations of the Borrowers under the Credit Agreement are fully and unconditionally guaranteed, jointly and severally, on an unsecured basis, by Sabra and one of its non-operating subsidiaries, subject to release under certain customary circumstances.

The Credit Agreement contains customary covenants that include restrictions or limitations on the ability to pay dividends, incur additional indebtedness, engage in non-healthcare related business activities, enter into transactions with affiliates and sell or otherwise transfer certain assets as well as customary events of default. The Credit Agreement also requires Sabra, through the Operating Partnership, to comply with specified financial covenants, which include a maximum total leverage ratio, a minimum secured debt leverage ratio, a minimum fixed charge coverage ratio, a maximum unsecured leverage ratio, a minimum tangible net worth requirement and a minimum unsecured interest coverage ratio. As of December 31, 2020, the Company was in compliance with all applicable financial covenants under the Credit Agreement.

## Interest Expense

During the years ended December 31, 2020, 2019 and 2018, the Company incurred interest expense of \$100.4 million, \$126.6 million and \$147.1 million, respectively. Interest expense includes non-cash interest expense of \$8.4 million, \$10.1 million and \$10.1 million for the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2020 and 2019, the Company had \$16.1 million and \$16.7 million, respectively, of accrued interest included in accounts payable and accrued liabilities on the accompanying consolidated balance sheets.

## Maturities

The following is a schedule of maturities for the Company's outstanding debt as of December 31, 2020 (in thousands):

	Secured Indebtedness	Term Loans	Senior Notes	Total
2021	\$ 18,419	\$ —	\$ —	\$ 18,419
2022	2,412	105,000	—	107,412
2023	2,478	350,000	—	352,478
2024	2,545	598,100	300,000	900,645
2025	2,615	—	—	2,615
Thereafter	51,730	—	950,000	1,001,730
Total Debt	80,199	1,053,100	1,250,000	2,383,299
Premium, net	—	—	6,442	6,442
Deferred financing costs, net	(1,134)	(8,184)	(8,049)	(17,367)
Total Debt, Net	\$ 79,065	\$ 1,044,916	\$ 1,248,393	\$ 2,372,374

## 9. DERIVATIVE AND HEDGING INSTRUMENTS

The Company is exposed to various market risks, including the potential loss arising from adverse changes in interest rates and foreign exchange rates. The Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are

determined by interest rates and foreign exchange rates. The Company's derivative financial instruments are used to manage differences in the amount of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's investments and borrowings.

Certain of the Company's foreign operations expose the Company to fluctuations of foreign interest rates and exchange rates. These fluctuations may impact the value in the Company's functional currency, the U.S. dollar, of the Company's investment in foreign operations, the cash receipts and payments related to these foreign operations and payments of interest and principal under Canadian dollar denominated debt. The Company enters into derivative financial instruments to protect the value of its foreign investments and fix a portion of the interest payments for certain debt obligations. The Company does not enter into derivatives for speculative purposes.

#### *Cash Flow Hedges*

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish these objectives, the Company primarily uses interest rate swaps and collars as part of its interest rate risk management strategy. In May 2019, the Company terminated three forward starting interest rate swaps, resulting in a payment to counterparties totaling \$12.6 million. The balance of the loss in other comprehensive income will be reclassified to earnings through 2029. As of December 31, 2020, approximately \$13.0 million of losses, which are included in accumulated other comprehensive income, are expected to be reclassified into earnings in the next 12 months.

#### *Net Investment Hedges*

The Company is exposed to fluctuations in foreign exchange rates on investments it holds in Canada. The Company uses cross currency interest rate swaps to hedge its exposure to changes in foreign exchange rates on these foreign investments.

The following presents the notional amount of derivative instruments as of the dates indicated (in thousands):

	December 31, 2020	December 31, 2019
Derivatives designated as cash flow hedges:		
Denominated in U.S. Dollars <sup>(1)</sup>	\$ 1,340,000	\$ 1,490,000
Denominated in Canadian Dollars <sup>(2)</sup>	\$ 250,000	\$ 125,000
Derivatives designated as net investment hedges:		
Denominated in Canadian Dollars	\$ 52,778	\$ 54,489
Financial instrument designated as net investment hedge:		
Denominated in Canadian Dollars	\$ 125,000	\$ 125,000
Derivatives not designated as net investment hedges:		
Denominated in Canadian Dollars	\$ 3,522	\$ 1,811

<sup>(1)</sup> Balance includes swaps with an aggregate notional amount of \$400.0 million, which accretes to \$600.0 million in January 2023, and two forward starting interest rate swaps and one forward starting interest rate collar with an effective date of January 2021. The forward starting interest rate swaps and forward starting interest rate collar have an aggregate notional amount of \$245.0 million. Balance as of December 31, 2020 also includes six forward starting interest rate swaps with an effective date of May 2024 and an aggregate notional amount of \$250.0 million.

<sup>(2)</sup> Balance as of December 31, 2020 includes two forward starting interest rate swaps with an effective date of January 2021 and an aggregate notional amount of CAD \$125.0 million.

### Derivative and Financial Instruments Designated as Hedging Instruments

The following is a summary of the derivative and financial instruments designated as hedging instruments held by the Company at December 31, 2020 and 2019 (dollars in thousands):

Type	Designation	Count as of December 31, 2020	Fair Value		Maturity Dates	Balance Sheet Location
			December 31,			
			2020	2019		
<b>Assets:</b>						
Interest rate swaps	Cash flow	—	\$ —	\$ 4,239	N/A	Accounts receivable, prepaid expenses and other assets, net
Forward starting interest rate swaps	Cash flow	6	10,652	—	2034	Accounts receivable, prepaid expenses and other assets, net
Cross currency interest rate swaps	Net investment	2	2,150	3,238	2025	Accounts receivable, prepaid expenses and other assets, net
			<u>\$ 12,802</u>	<u>\$ 7,477</u>		
<b>Liabilities:</b>						
Interest rate swaps	Cash flow	10	\$ 23,849	\$ —	2021-2024	Accounts payable and accrued liabilities
Interest rate collar	Cash flow	1	1,626	—	2024	Accounts payable and accrued liabilities
Forward starting interest rate swaps	Cash flow	4	10,723	494	2024	Accounts payable and accrued liabilities
Forward starting interest rate collar	Cash flow	1	820	132	2024	Accounts payable and accrued liabilities
CAD term loan	Net investment	1	98,100	96,025	2024	Term loans, net
			<u>\$ 135,118</u>	<u>\$ 96,651</u>		

The following presents the effect of the Company's derivative and financial instruments designated as hedging instruments on the consolidated statements of income and the consolidated statements of equity for the years ended December 31, 2020, 2019 and 2018:

	(Loss) Gain Recognized in Other Comprehensive Income			(Loss) Gain Reclassified from Accumulated Other Comprehensive Income Into Income			Income Statement Location
	For the year ended December 31,						
	2020	2019	2018	2020	2019	2018	
<b>Cash Flow Hedges:</b>							
Interest rate products	\$ (35,320)	\$ (19,932)	\$ 2,707	\$ (8,072)	\$ 5,545	\$ 3,099	Interest expense
<b>Net Investment Hedges:</b>							
Foreign currency products	(758)	(772)	3,554	—	—	—	N/A
CAD term loan	(2,075)	(4,325)	7,888	—	—	—	N/A
	<u>\$ (38,153)</u>	<u>\$ (25,029)</u>	<u>\$ 14,149</u>	<u>\$ (8,072)</u>	<u>\$ 5,545</u>	<u>\$ 3,099</u>	

During the years ended December 31, 2020, 2019 and 2018, no cash flow hedges were determined to be ineffective.

### Derivatives Not Designated as Hedging Instruments

As of December 31, 2020, the Company had one outstanding cross currency interest rate swap, of which a portion was not designated as a hedging instrument, in an asset position with a fair value of \$0.1 million and included this amount in accounts receivable, prepaid expenses and other assets, net on the consolidated balance sheets. During the years ended December 31, 2020, 2019 and 2018, the Company recorded \$0.1 million of other expense and \$5,000 and \$34,000 of other income, respectively, related to the portion of derivatives not designated as hedging instruments.

## Offsetting Derivatives

The Company enters into master netting arrangements, which reduce credit risk by permitting net settlement of transactions with the same counterparty. The table below presents a gross presentation, the effects of offsetting, and a net presentation of the Company's derivatives as of December 31, 2020 and 2019 (in thousands):

As of December 31, 2020						
	Gross Amounts of Recognized Assets / Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets / Liabilities presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
<b>Offsetting Assets:</b>						
Derivatives	\$ 12,802	\$ —	\$ 12,802	\$ (7,420)	\$ —	\$ 5,382
<b>Offsetting Liabilities:</b>						
Derivatives	\$ 37,018	\$ —	\$ 37,018	\$ (7,420)	\$ —	\$ 29,598
As of December 31, 2019						
	Gross Amounts of Recognized Assets / Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets / Liabilities presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
<b>Offsetting Assets:</b>						
Derivatives	\$ 7,477	\$ —	\$ 7,477	\$ (544)	\$ —	\$ 6,933
<b>Offsetting Liabilities:</b>						
Derivatives	\$ 626	\$ —	\$ 626	\$ (544)	\$ —	\$ 82

## Credit-risk-related Contingent Features

The Company has agreements with each of its derivative counterparties that contain a provision pursuant to which the Company could be declared in default on the derivative obligation if the Company defaults on any of its indebtedness, including a default where repayment of the indebtedness has not been accelerated by the lender. As of December 31, 2020, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was \$30.5 million. As of December 31, 2020, the Company has not posted any collateral related to these agreements. If the Company had breached any of these provisions at December 31, 2020, it could have been required to settle its obligations under the agreements at their termination value of \$29.6 million.

## 10. FAIR VALUE DISCLOSURES

### Financial Instruments

The fair value for certain financial instruments is derived using a combination of market quotes, pricing models and other valuation techniques that involve significant management judgment. The price transparency of financial instruments is a key determinant of the degree of judgment involved in determining the fair value of the Company's financial instruments.

Financial instruments for which actively quoted prices or pricing parameters are available and whose markets contain orderly transactions will generally have a higher degree of price transparency than financial instruments whose markets are inactive or consist of non-orderly trades. The Company evaluates several factors when determining if a market is inactive or when market transactions are not orderly. The carrying values of cash and cash equivalents, restricted cash, accounts payable, accrued liabilities and the Credit Agreement are reasonable estimates of fair value because of the short-term maturities of these instruments. Fair values for other financial instruments are derived as follows:

*Loans receivable:* These instruments are presented on the accompanying consolidated balance sheets at their amortized cost and not at fair value. The fair values of the loans receivable were estimated using an internal valuation model that considered the expected cash flows for the loans receivable, as well as the underlying collateral value and other credit enhancements as applicable. The Company utilized discount rates ranging from 6% to 12% with a weighted average rate of 9% in its fair value calculation. As such, the Company classifies these instruments as Level 3.

*Preferred equity investments:* These instruments are presented on the accompanying consolidated balance sheets at their cost and not at fair value. The fair values of the preferred equity investments were estimated using an internal valuation model that considered the expected future cash flows for the preferred equity investments, the underlying collateral value and other credit enhancements. The Company utilized discount rates ranging from 10% to 15% with a weighted average rate of 11% in its fair value calculation. As such, the Company classifies these instruments as Level 3.

*Derivative instruments:* The Company's derivative instruments are presented at fair value on the accompanying consolidated balance sheets. The Company estimates the fair value of derivative instruments, including its interest rate swaps and cross currency swaps, using the assistance of a third party using inputs that are observable in the market, which include forward yield curves and other relevant information. Although the Company has determined that the majority of the inputs used to value its derivative financial instruments fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivative financial instruments utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by itself and its counterparties. 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 its derivative financial instruments. As a result, the Company has determined that its derivative financial instruments valuations in their entirety are classified in Level 2 of the fair value hierarchy.

*Senior Notes:* These instruments are presented on the accompanying consolidated balance sheets at their outstanding principal balance, net of unamortized deferred financing costs and premiums/discounts and not at fair value. The fair values of the Senior Notes were determined using third-party market quotes derived from orderly trades. As such, the Company classifies these instruments as Level 2.

*Secured indebtedness:* These instruments are presented on the accompanying consolidated balance sheets at their outstanding principal balance, net of unamortized deferred financing costs and premiums/discounts and not at fair value. The fair values of the Company's secured debt were estimated using a discounted cash flow analysis based on management's estimates of current market interest rates for instruments with similar characteristics, including remaining loan term, loan-to-value ratio, type of collateral and other credit enhancements. The Company utilized rates ranging from 2% to 3% with a weighted average rate of 3% in its fair value calculation. As such, the Company classifies these instruments as Level 3.

The following are the face values, carrying amounts and fair values of the Company's financial instruments as of December 31, 2020 and 2019 whose carrying amounts do not approximate their fair value (in thousands):

	December 31, 2020			December 31, 2019		
	Face Value <sup>(1)</sup>	Carrying Amount <sup>(2)</sup>	Fair Value	Face Value <sup>(1)</sup>	Carrying Amount <sup>(2)</sup>	Fair Value
<b>Financial assets:</b>						
Loans receivable	\$ 65,320	\$ 58,899	\$ 60,421	\$ 67,527	\$ 63,070	\$ 59,832
Preferred equity investments	43,724	43,940	44,597	43,893	44,304	44,493
<b>Financial liabilities:</b>						
Senior Notes	1,250,000	1,248,393	1,362,678	1,250,000	1,248,773	1,328,714
Secured indebtedness	80,199	79,065	79,326	114,777	113,070	105,510

<sup>(1)</sup> Face value represents amounts contractually due under the terms of the respective agreements.

<sup>(2)</sup> Carrying amount represents the book value of financial instruments, including unamortized premiums/discounts and deferred financing costs.

The Company determined the fair value of financial instruments as of December 31, 2020 whose carrying amounts do not approximate their fair value with valuation methods utilizing the following types of inputs (in thousands):

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Financial assets:</b>				
Loans receivable	\$ 60,421	\$ —	\$ —	\$ 60,421
Preferred equity investments	44,597	—	—	44,597
<b>Financial liabilities:</b>				
Senior Notes	1,362,678	—	1,362,678	—
Secured indebtedness	79,326	—	—	79,326

Disclosure of the fair value of financial instruments is based on pertinent information available to the Company at the applicable dates and requires a significant amount of judgment. Transaction volume for certain of the Company's financial instruments remains relatively low, which has made the estimation of fair values difficult. Therefore, both the actual results and the Company's estimate of fair value at a future date could be materially different.

### **Items Measured at Fair Value on a Recurring Basis**

During the year ended December 31, 2020, the Company recorded the following amounts measured at fair value (in thousands):

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Recurring Basis:</b>				
Financial assets:				
Forward starting interest rate swaps	\$ 10,652	\$ —	\$ 10,652	\$ —
Cross currency interest rate swaps	2,150	—	2,150	—
Financial liabilities:				
Interest rate swaps	23,849	—	23,849	—
Interest rate collar	1,626	—	1,626	—
Forward starting interest rate swaps	10,723	—	10,723	—
Forward starting interest rate collars	820	—	820	—

## **11. EQUITY**

### **Preferred Stock**

The Company redeemed all 5,750,000 shares of its 7.125% Series A Cumulative Redeemable Preferred Stock (the "Series A Preferred Stock") on June 1, 2018 (the "Redemption Date") for \$25.00 per share, plus accrued and unpaid dividends to, but not including, the Redemption Date, without interest, in the amount of \$0.4453125 per share of Series A Preferred Stock, for a total redemption price per share of Series A Preferred Stock equal to \$25.4453125. As a result of the redemption, the Company incurred a charge of \$5.5 million related to the original issuance costs of the Series A Preferred Stock. The charge is presented as an additional preferred stock dividend in the Company's consolidated statements of income for the year ended December 31, 2018.

### **Common Stock**

On February 25, 2019, the Company established an at-the-market equity offering program (the "Prior ATM Program") to sell shares of its common stock having an aggregate gross sales price of up to \$500.0 million from time to time through a consortium of banks acting as sales agents. On December 5, 2019, the Prior ATM Program automatically terminated in accordance with its terms upon the issuance and sale of the maximum aggregate amount of the shares subject to the Prior ATM Program.

On December 11, 2019, the Company established a new ATM program (the "ATM Program") pursuant to which shares of its common stock having an aggregate gross sales price of up to \$400.0 million may be sold from time to time (i) by the Company through a consortium of banks acting as sales agents or directly to the banks acting as principals or (ii) by a consortium of banks acting as forward sellers on behalf of any forward purchasers pursuant to a forward sale agreement. The use of a forward sale agreement would allow the Company to lock in a share price on the sale of shares at the time the agreement is effective, but defer receiving the proceeds from the sale of the shares until a later date. The Company may also elect to cash settle or net share settle all or a portion of its obligations under any forward sale agreement.

During the year ended December 31, 2020, the Company sold 3.7 million shares under the ATM Program at an average price of \$16.23 per share, generating gross proceeds of \$60.0 million, before \$0.9 million of commissions (excluding sales utilizing the forward feature of the ATM Program, as described below). During the year ended December 31, 2019, the Company sold an aggregate 26.8 million shares under the ATM Program and Prior ATM Program at an average price of \$20.92 per share, generating gross proceeds of \$560.0 million, before \$7.7 million of commissions.

Additionally, during the year ended December 31, 2020, the Company utilized the forward feature of the ATM Program to allow for the sale of up to an aggregate sales price of \$45.3 million of the Company's common stock at an initial weighted average price of \$17.44 per share, net of commissions. The forward sale agreements have a one year term during which time the Company may settle the forward sales by delivery of physical shares of common stock to the forward purchasers or, at the Company's election, in cash or net shares. The forward sale price that the Company expects to receive upon settlement will be the initial forward price established upon the effective date, subject to adjustments for (i) the forward purchasers' stock borrowing costs and (ii) certain fixed price reductions during the term of the agreement. During the year ended December 31, 2020, the Company settled 1.4 million shares at a weighted average net price of \$17.45 per share, after commissions, resulting in net proceeds of \$25.0 million. As of December 31, 2020, 1.1 million shares remained outstanding under the forward sale agreements, with an initial weighted average price of \$17.44, net of commissions.

As of December 31, 2020, the Company had \$234.7 million available under the ATM Program.

### ***Other Common Stock Issuances***

During the years ended December 31, 2020 and 2019, the Company issued 0.2 million and 0.1 million shares of common stock as a result of restricted stock unit vestings, respectively.

Upon any payment of shares to team members as a result of restricted stock unit vestings, the team members' related tax withholding obligation will generally be satisfied by the Company, reducing the number of shares to be delivered by a number of shares necessary to satisfy the related applicable tax withholding obligation. During the years ended December 31, 2020, 2019 and 2018, the Company incurred \$3.2 million, \$1.5 million and \$0.4 million, respectively, in tax withholding obligations on behalf of its team members that were satisfied through a reduction in the number of shares delivered to those participants.

### **Accumulated Other Comprehensive Loss**

The following is a summary of the Company's accumulated other comprehensive loss (in thousands):

	Year Ended December 31,	
	2020	2019
Foreign currency translation loss	\$ (1,831)	\$ (1,516)
Unrealized loss on cash flow hedges	(38,080)	(10,872)
Total accumulated other comprehensive loss	\$ (39,911)	\$ (12,388)

## **12. STOCK-BASED COMPENSATION**

All stock-based awards are subject to the terms of the 2009 Performance Incentive Plan, which was assumed by the Company effective as of November 15, 2010 in connection with the Company's separation from Sun and was most recently amended and restated in April 2017. The 2009 Performance Incentive Plan provides for the granting of stock-based compensation, including stock options, time-based stock units, funds from operations-based stock units ("FFO Units"), relative total stockholder return-based stock units ("TSR Units") and performance-based restricted stock units to directors, officers and other team members in connection with their employment with or services provided to the Company.

### ***Restricted Stock Units and Performance-Based Restricted Stock Units***

Under the 2009 Performance Incentive Plan, restricted stock units and performance-based restricted stock units generally have a contractual life or vest over a three- to five-year period. The vesting of certain restricted stock units may accelerate, as defined in the grant, upon retirement, a change in control and other events. When vested (and subject to any applicable deferral or holdback period), each performance-based restricted stock unit is convertible into one share of common stock, subject to any deferrals in issuance pursuant to the grant. The restricted stock units are valued on the grant date based on the market price of the Company's common stock on that date. Generally, the Company recognizes the fair value of the awards over the applicable vesting period as compensation expense. In addition, since the shares to be issued may vary based on the performance of the Company, the Company must make assumptions regarding the projected performance criteria and the shares that will ultimately be issued. The amount of FFO Units that will ultimately vest is dependent on the amount by which the Company's funds from operations as adjusted ("FFO") differs from a target FFO amount for a period specified in each grant and will range from 0% to 200% of the FFO Units initially granted. Similarly, the amount of TSR Units that will ultimately vest is dependent on the amount by which the total shareholder return ("TSR") of the Company's common stock differs from a predefined peer group for a period specified in each grant and will range from 0% to 200% of the TSR Units initially granted. Upon any payment of shares as a result of restricted stock unit vestings, the related tax withholding obligation will generally be satisfied by the Company, reducing the number of shares to be delivered by a number of shares necessary to satisfy the related applicable tax

withholding obligation. The value of the shares withheld is dependent on the closing price of the Company's common stock on the date the relevant transaction occurs.

The following table summarizes additional information concerning restricted stock units at December 31, 2020:

	Restricted Stock Units	Weighted Average Grant Date Fair Value Per Unit
Unvested as of December 31, 2019	1,737,862	\$ 18.35
Granted	623,523	17.13
Vested	(540,751)	17.84
Dividends reinvested	157,905	18.44
Cancelled/forfeited	(163,124)	20.70
Unvested as of December 31, 2020	1,815,415	\$ 17.88

As of December 31, 2020, the weighted average remaining vesting period of restricted stock units was 2.6 years. The weighted average fair value per share at the date of grant for restricted stock units for the years ended December 31, 2020, 2019 and 2018 was \$17.13, \$20.59 and \$16.02, respectively. The total fair value of units vested during the years ended December 31, 2020, 2019 and 2018 was \$10.7 million, \$7.9 million and \$3.6 million, respectively.

The fair value of the TSR Units is estimated on the date of grant using a Monte Carlo valuation model that uses the assumptions noted in the table below. The risk-free rate is based on the U.S. Treasury yield curve in effect at the grant date for the expected performance period. Expected volatility is based on historical volatility for the most recent 3-year period ending on the grant date for the Company and the selected peer companies, and is calculated on a daily basis. The following are the key assumptions used in this valuation:

	2020	2019	2018
Risk free interest rate	0.17% - 1.63%	1.57% - 2.54%	2.36% - 2.59%
Expected stock price volatility	23.80% - 53.17%	23.80% - 28.57%	28.57% - 30.02%
Expected service period	2.7 - 3.0 years	2.4 - 3.0 years	2.5 - 3.0 years
Expected dividend yield (assuming full reinvestment)	— %	— %	— %

During the years ended December 31, 2020, 2019 and 2018, the Company recognized \$7.9 million, \$9.8 million and \$7.6 million, respectively, of stock-based compensation expense included in general and administrative expense in the consolidated statements of income. As of December 31, 2020, there was \$20.8 million of total unrecognized stock-based compensation expense related to unvested awards, which is expected to be recognized over a weighted average period of 2.6 years.

#### *Employee Benefit Plan*

The Company maintains a 401(k) plan that allows for eligible participants to defer compensation, subject to certain limitations imposed by the Internal Revenue Code of 1986, as amended (the "Code"). The Company provides a discretionary matching contribution of up to 4% of each participant's eligible compensation. During each of the years ended December 31, 2020, 2019 and 2018, the Company's matching contributions were approximately \$0.2 million.

### **13. INCOME TAXES**

The Company elected to be treated as a REIT with the filing of its U.S. federal income tax return for the taxable year beginning January 1, 2011. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement to distribute at least 90% of its taxable ordinary income. In addition, the Company is required to meet certain asset and income tests. As a REIT, the Company generally will not be subject to corporate level federal income tax on taxable income that it distributes to its stockholders. The Company also elected to treat certain of its consolidated subsidiaries as taxable REIT subsidiaries, which are subject to federal, state and foreign income taxes.

As a result of acquisitions in Canada during 2015, the Company is subject to income taxes under the laws of Canada. The Company recorded a \$0.6 million, \$0.5 million and \$0.6 million income tax benefit during the years ended December 31, 2020, 2019 and 2018, respectively, with respect to its Canadian operations. Due to uncertainty over the Company's ability to utilize this income tax benefit in future periods, the Company recorded a valuation allowance of \$0.8 million, \$0.5 million and \$0.7 million against the deferred tax benefit during the years ended December 31, 2020, 2019 and 2018, respectively.

The Company classifies interest and penalties from significant uncertain tax positions as interest expense and operating expenses, respectively, in its consolidated financial statements. During the years ended December 31, 2020, 2019 and 2018, the Company did not incur any such interest or penalties. With certain exceptions, the tax years 2016 and thereafter remain open to examination by the major taxing jurisdictions with which the Company files tax returns.

#### 14. EARNINGS PER COMMON SHARE

The following table illustrates the computation of basic and diluted earnings per share (in thousands, except share and per share amounts):

	Year Ended December 31,		
	2020	2019	2018
<b>Numerator</b>			
Net income attributable to common stockholders	\$ 138,417	\$ 68,996	\$ 269,314
<b>Denominator</b>			
Basic weighted average common shares and common equivalents	206,223,503	187,172,210	178,305,738
Dilutive stock options and restricted stock units	1,029,327	954,882	416,006
Diluted weighted average common shares	207,252,830	188,127,092	178,721,744
Net income attributable to common stockholders, per:			
Basic common share	\$ 0.67	\$ 0.37	\$ 1.51
Diluted common share	\$ 0.67	\$ 0.37	\$ 1.51

During the years ended December 31, 2020, 2019 and 2018, approximately 67,000, 1,000 and 121,000 restricted stock units, respectively, were not included in computing diluted earnings per share because they were considered anti-dilutive. No stock options were outstanding as of December 31, 2020 and 2019, and no stock options were considered anti-dilutive during the year ended December 31, 2018.

#### 15. COMMITMENTS AND CONTINGENCIES

##### Environmental

As an owner of real estate, the Company is subject to various environmental laws of federal, state and local governments. The Company is not aware of any environmental liability that could have a material adverse effect on its financial condition or results of operations. However, changes in applicable environmental laws and regulations, the uses and conditions of properties in the vicinity of the Company's properties, the activities of its tenants and other environmental conditions of which the Company is unaware with respect to the properties could result in future environmental liabilities. As of December 31, 2020, the Company does not expect that compliance with existing environmental laws will have a material adverse effect on the Company's financial condition and results of operations.

##### Legal Matters

From time to time, the Company is party to legal proceedings that arise in the ordinary course of its business. Management is not aware of any legal proceedings where the likelihood of a loss contingency is reasonably possible and the amount or range of reasonably possible losses is material to the Company's results of operations, financial condition or cash flows.

#### 16. SUBSEQUENT EVENTS

The Company evaluates subsequent events up until the date the consolidated financial statements are issued.

##### Dividend Declaration

On February 2, 2021, the Company's board of directors declared a quarterly cash dividend of \$0.30 per share of common stock. The dividend will be paid on February 26, 2021 to stockholders of record as of the close of business on February 12, 2021.

**SCHEDULE II**  
**VALUATION AND QUALIFYING ACCOUNTS**  
For the Years Ended December 31, 2020, 2019 and 2018  
(dollars in thousands)

	Balance at Beginning of Year	Charged to Earnings	Recoveries	Uncollectible Accounts Written-off	Balance at End of Year
<b>Year ended December 31, 2020</b>					
Allowance for loan losses <sup>(1)</sup>	\$ 542	\$ 1,916	\$ —	\$ —	\$ 2,458
Allowance for credit losses - sales-type lease <sup>(1)</sup>	189	(61)	—	—	128
	<u>\$ 731</u>	<u>\$ 1,855</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,586</u>
<b>Year ended December 31, 2019</b>					
Allowance for doubtful accounts <sup>(2)</sup>	\$ 3,706	\$ —	\$ —	\$ (3,706)	\$ —
Straight-line rent receivable allowance <sup>(2)</sup>	35,778	—	—	(35,778)	—
Allowance for loan losses	1,258	1,238	—	(1,932)	564
	<u>\$ 40,742</u>	<u>\$ 1,238</u>	<u>\$ —</u>	<u>\$ (41,416)</u>	<u>\$ 564</u>
<b>Year ended December 31, 2018</b>					
Allowance for doubtful accounts	\$ 5,520	\$ 986	\$ (2,718)	\$ (82)	\$ 3,706
Straight-line rent receivable allowance	12,355	39,646	—	(16,223)	35,778
Allowance for loan losses	97	1,161	—	—	1,258
	<u>\$ 17,972</u>	<u>\$ 41,793</u>	<u>\$ (2,718)</u>	<u>\$ (16,305)</u>	<u>\$ 40,742</u>

<sup>(1)</sup> In conjunction with the adoption of Topic 326 on January 1, 2020, the Company recognized the cumulative effect through an adjustment to equity to increase (decrease) cumulative distributions in excess of net income by (\$22,000) and \$189,000 for loan loss reserves and allowance for credit losses - sales-type lease, respectively. These amounts are included in the balances at beginning of year for 2020 but are excluded from the balances at end of year for 2019.

<sup>(2)</sup> Balances written-off in connection with the adoption of Topic 842 on January 1, 2019.

**SCHEDULE III**  
**REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION**

As of December 31, 2020

(dollars in thousands)

Description	Location	Ownership Percentage	Encumbrances <sup>(1)</sup>	Initial Cost to Company			Cost Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period			Accumulated Depreciation and Amortization	Original Date of Construction/ Renovation	Date Acquired	Life on Which Depreciation in Latest Income Statement is Computed
				Building and Improvements <sup>(2)(3)</sup>		Total		Building and Improvements <sup>(2)(3)</sup>		Total				
				Land				Land						
Skilled Nursing/Transitional Care Facilities														
Forest Hills (SNF)	Broken Arrow, OK	100%	(4)	\$ 1,653	\$ 11,259	\$ 12,912	\$ —	\$ 1,653	\$ 9,409	\$ 11,062	\$ (3,764)	1994/2008, 2009/2010, 2015	11/15/10	40
Seminole Estates	Seminole, OK	100%	—	655	3,527	4,182	—	655	3,134	3,789	(1,197)	1987/2020	11/15/10	32
Bedford Hills	Bedford, NH	100%	5,595	1,911	12,245	14,156	—	1,911	10,687	12,598	(4,434)	1992/2010, 2019	11/15/10	36
The Elms Care	Milford, NH	100%	—	312	1,679	1,991	—	312	1,289	1,601	(918)	1890/2005	11/15/10	20
Lake Drive	Henryetta, OK	100%	—	160	549	709	—	160	40	200	(34)	1968	11/15/10	10
Mineral Springs	North Conway, NH	100%	11,334	417	5,352	5,769	—	417	4,580	4,997	(1,890)	1988/2009	11/15/10	43
Wolfboro	Wolfboro, NH	100%	9,547	454	4,531	4,985	—	454	3,747	4,201	(1,397)	1984/1986, 1987, 2009	11/15/10	41
Broadmeadow Healthcare	Middletown, DE	100%	—	1,650	21,730	23,380	—	1,650	21,730	23,380	(5,905)	2005	08/01/11	40
Capitol Healthcare	Dover, DE	100%	—	4,940	15,500	20,440	—	4,940	15,500	20,440	(4,405)	1996/2016	08/01/11	40
Pike Creek Healthcare	Wilmington, DE	100%	—	2,460	25,240	27,700	—	2,460	25,240	27,700	(6,934)	2009	08/01/11	40
Renaissance Healthcare	Millsboro, DE	100%	—	1,640	22,620	24,260	—	1,640	22,620	24,260	(6,336)	2008	08/01/11	40
Clara Burke	Plymouth Meeting, PA	100%	—	2,527	12,453	14,980	179	2,527	12,632	15,159	(3,470)	1977/1990, 2007/2016	03/30/12	40
Warrington	Warrington, PA	100%	—	2,617	11,662	14,279	106	2,617	11,768	14,385	(2,959)	1958/2009/ 2016	03/30/12	40
Ridgecrest	Duffield, VA	100%	—	509	5,018	5,527	1,333	509	6,351	6,860	(1,975)	1981/2013	05/10/12	40
Arbrook Plaza	Arlington, TX	100%	—	3,783	14,219	18,002	—	3,783	14,219	18,002	(3,303)	2003/2012	11/30/12	40
Northgate Plaza	Irving, TX	100%	—	4,901	10,299	15,200	—	4,901	10,299	15,200	(2,465)	2003/2012, 2015	11/30/12	40
Gulf Pointe Plaza	Rockport, TX	100%	—	1,005	6,628	7,633	—	1,005	6,628	7,633	(1,667)	2002/2012, 2018	11/30/12	40
Gateway Senior Living	Lincoln, NE	100%	—	6,368	29,919	36,287	—	6,368	29,919	36,287	(5,824)	1962/1996, 2013	02/14/14	40
Legacy	Fremont, NE	100%	—	615	16,176	16,791	—	615	16,176	16,791	(3,454)	2008	02/14/14	40
Pointe	Fremont, NE	100%	—	615	2,943	3,558	—	615	2,943	3,558	(746)	1970/1979, 1983, 1994	02/14/14	40
Regency	South Sioux City, NE	100%	—	246	6,206	6,452	—	246	6,206	6,452	(1,614)	1962/1968, 1975, 2000, 2004	02/14/14	40
Parkmoor Village	Colorado Springs, CO	100%	—	430	13,703	14,133	—	430	13,703	14,133	(3,089)	1985/2017, 2018	03/05/14	40
Adams PARC	Bartlesville, OK	100%	—	1,332	6,904	8,236	115	1,332	7,019	8,351	(1,338)	1989/2019	10/29/14	40
PARCway	Oklahoma City, OK	100%	—	2,189	23,567	25,756	1,056	2,189	24,623	26,812	(4,405)	1963/1984, 2018, 2019	10/29/14	40
Brookhaven Extensive Care	Norman, OK	100%	—	869	5,236	6,105	109	869	5,345	6,214	(1,134)	2001/2013, 2019	10/29/14	40
Cadia Healthcare of	Hyattsville, MD	100%	—	6,343	65,573	71,916	14	6,343	65,587	71,930	(10,867)	1950/1976, 2008	06/30/15	40
Cadia Healthcare of	Annapolis, MD	100%	—	1,548	40,773	42,321	103	1,548	40,876	42,424	(6,314)	1964/1993, 2012	06/30/15	40
Cadia Healthcare of	Wheaton, MD	100%	—	676	56,897	57,573	22	676	56,919	57,595	(8,618)	1966/1991, 2012	06/30/15	40

Description	Location	Initial Cost to Company			Ownership Percentage	Encumbrances <sup>(1)</sup>	Cost Capitalized to Subsequent Acquisition			Gross Amount at which Carried at Close of Period			Accumulated Depreciation and Amortization	Original Date of Construction/Renovation	Date Acquired	Life on Which Depreciation in Latest Income Statement is Computed	
		Building and Improvements <sup>(2)(3)</sup>		Total			Land	Building and Improvements <sup>(2)(3)</sup>	Land	Total	Land	Building and Improvements <sup>(2)(3)</sup>					Total
		Land	Improvements <sup>(2)(3)</sup>														
Cadia Healthcare of Hagerstown	Hagerstown, MD	1,475	56,237	57,712	—	—	4,733	1,475	60,970	62,445	(8,200)	1950/1953, 1975, 2014,	11/25/15	40			
Cadia Healthcare of Spring Brook	Silver Spring, MD	963	48,085	49,048	—	—	7	963	48,092	49,055	(5,945)	1965/2015	07/26/16	40			
Andrew Residence	Minneapolis, MN	2,931	6,943	9,874	—	—	565	2,931	7,462	10,393	(849)	1941/2014, 2019	08/17/17	40			
Avamere Riverpark of Eugene	Eugene, OR	2,205	28,700	30,905	—	—	2,252	2,205	30,952	33,157	(3,096)	1988/2016	08/17/17	40			
Avamere Rehab of Lebanon	Lebanon, OR	958	14,176	15,134	—	—	—	958	14,176	15,134	(1,277)	1974	08/17/17	40			
Avamere Crestview of Portland	Portland, OR	1,791	12,833	14,624	—	—	2,761	1,791	15,594	17,385	(1,824)	1964/2016	08/17/17	40			
Avamere Rehabilitation of King City	Tigard, OR	2,011	11,667	13,678	—	—	—	2,011	11,667	13,678	(1,086)	1975	08/17/17	40			
Avamere Rehabilitation of Hillsboro	Hillsboro, OR	1,387	14,028	15,415	—	—	—	1,387	14,028	15,415	(1,263)	1973	08/17/17	40			
Avamere Rehab of Junction City	Junction City, OR	584	7,901	8,485	—	—	—	584	7,901	8,485	(738)	1966/2015	08/17/17	40			
Avamere Rehab of Eugene	Eugene, OR	1,380	14,921	16,301	—	—	1,791	1,380	16,712	18,092	(1,801)	1966/2016	08/17/17	40			
Avamere Rehab of Coos Bay	Coos Bay, OR	829	8,518	9,347	—	—	—	829	8,518	9,347	(826)	1968	08/17/17	40			
Avamere Rehab of Clackamas	Gladstone, OR	792	5,000	5,792	—	—	—	792	5,000	5,792	(477)	1961	08/17/17	40			
Avamere Rehab of Newport	Newport, OR	406	5,001	5,407	—	—	—	406	5,001	5,407	(456)	1973/2014	08/17/17	40			
Avamere Rehab of Oregon City	Oregon City, OR	1,496	12,142	13,638	—	—	—	1,496	12,142	13,638	(1,093)	1974	08/17/17	40			
Avamere Transitional Care of Puget Sound	Tacoma, WA	1,771	11,595	13,366	—	—	15	1,771	11,610	13,381	(1,217)	2017	08/17/17	40			
Richmond Beach Rehab	Shoreline, WA	4,703	14,444	19,147	—	—	—	4,703	14,444	19,147	(1,347)	1993/2014	08/17/17	40			
St. Francis of Bellingham	Bellingham, WA	—	15,330	15,330	—	—	—	—	15,330	15,330	(1,442)	1984/2015	08/17/17	40			
Avamere Olympic Rehabilitation of Sequim	Sequim, WA	427	4,450	4,877	—	—	—	427	4,450	4,877	(502)	1974	08/17/17	40			
Avamere Heritage Rehabilitation of Tacoma	Tacoma, WA	1,705	4,952	6,657	—	—	—	1,705	4,952	6,657	(487)	1968	08/17/17	40			
Avamere at Pacific Ridge	Tacoma, WA	2,195	1,956	4,151	—	—	—	2,195	1,956	4,151	(255)	1972/2014	08/17/17	40			
Avamere Rehabilitation of Cascade Park	Vancouver, WA	1,782	15,116	16,898	—	—	—	1,782	15,116	16,898	(1,473)	1991	08/17/17	40			
The Pearl at Knuse Way	Lake Oswego, OR	5,947	13,401	19,348	—	—	—	5,947	13,401	19,348	(1,260)	2005/2016	08/17/17	40			
Avamere at Medford	Medford, OR	2,043	38,485	40,528	—	—	2,960	2,043	41,445	43,488	(4,091)	1974/2016	08/17/17	40			
Avamere Bellingham Healthcare and Rehab Services	Bellingham, WA	2,908	2,058	4,966	—	—	—	2,908	2,058	4,966	(260)	1972/2015	08/17/17	40			
Queen Anne Healthcare	Seattle, WA	2,508	6,401	8,909	—	—	—	2,508	6,401	8,909	(609)	1970	08/17/17	40			
Avamere Transitional Care and Rehab - Boise	Boise, ID	681	9,348	10,029	—	—	—	681	9,348	10,029	(890)	1979	08/17/17	40			
Avamere Transitional Care at Sunnyside	Salem, OR	2,114	15,651	17,765	—	—	—	2,114	15,651	17,765	(1,451)	1981	08/17/17	40			

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				Land	Building and Improvements <sup>(2)(3)</sup>	Total		Land	Building and Improvements <sup>(2)(3)</sup>	Total				
Avamere Health Services of Rogue Valley	Medford, OR	100%	—	1,375	23,808	25,183	—	1,375	23,808	25,183	(2,227)	1961/2016	08/17/17	40
Avamere Transitional Care and Rehab - Malley	Northglenn, CO	100%	—	1,662	26,014	27,676	3,258	1,662	29,272	30,934	(3,114)	1972/2016	08/17/17	40
Avamere Transitional Care and Rehab - Brighton	Brighton, CO	100%	—	1,933	11,624	13,557	200	1,933	11,824	13,757	(1,124)	1971	08/17/17	40
Phoenix Rehabilitation Services	Phoenix, AZ	100%	—	1,270	11,502	12,772	—	1,270	11,502	12,772	(1,038)	2008	08/17/17	40
Tustin Subacute Care Facility	Santa Ana, CA	100%	—	1,889	11,682	13,571	—	1,889	11,682	13,571	(1,025)	2008	08/17/17	40
La Mesa Inpatient Rehabilitation Facility	La Mesa, CA	100%	—	1,276	8,177	9,453	—	1,276	8,177	9,453	(746)	2012	08/17/17	40
Golden Living Center - Westminster	Westminster, MD	100%	—	2,128	6,614	8,742	487	2,128	7,101	9,229	(913)	1973/2010, 2019	08/17/17	40
Maple Wood Care Center	Kansas City, MO	100%	—	1,142	3,226	4,368	653	1,142	3,879	5,021	(784)	1983	08/17/17	40
Garden Valley Nursing & Rehab	Kansas City, MO	100%	—	1,985	2,714	4,699	303	1,985	3,017	5,002	(711)	1983	08/17/17	40
Worthington Nursing & Rehab	Parkersburg, WV	100%	—	697	10,688	11,385	285	697	10,973	11,670	(1,293)	1974/1999, 2019	08/17/17	40
Burlington House Rehabilitative and Alzheimer's Care Center	Cincinnati, OH	100%	—	2,686	10,062	12,748	—	2,686	10,062	12,748	(1,083)	1989/2015	08/17/17	40
Golden Living Center - Charlottesville	Charlottesville, VA	100%	—	2,840	8,450	11,290	1,176	2,840	9,626	12,466	(1,193)	1964/2009, 2019	08/17/17	40
Golden Living Center - Sleepy Hollow	Annandale, VA	100%	—	7,241	17,727	24,968	2,032	7,241	19,759	27,000	(2,190)	1963/2013, 2019	08/17/17	40
Golden Living Center - Petersburg	Petersburg, VA	100%	—	988	8,416	9,404	146	988	8,562	9,550	(922)	1970/2009	08/17/17	40
Golden Living Center - Battlefield Park	Petersburg, VA	100%	—	1,174	8,858	10,032	151	1,174	9,009	10,183	(955)	1976/2010	08/17/17	40
Golden Living Center - Hagerstown	Hagerstown, MD	100%	—	1,393	13,438	14,831	150	1,393	13,588	14,981	(1,376)	1971/2010	08/17/17	40
Golden Living Center - Cumberland	Cumberland, MD	100%	—	800	16,973	17,773	457	800	17,430	18,230	(1,760)	1968	08/17/17	40
Gilroy Healthcare and Rehabilitation Center	Gilroy, CA	100%	—	662	23,775	24,437	—	662	23,775	24,437	(2,117)	1968	08/17/17	40
North Cascades Health and Rehabilitation Center	Bellingham, WA	100%	—	1,437	14,196	15,633	—	1,437	14,196	15,633	(1,323)	1999	08/17/17	40
Granite Rehabilitation & Wellness	Cheyenne, WY	100%	—	387	13,613	14,000	2,246	387	15,859	16,246	(1,806)	1967/2017	08/17/17	40
Rawlins Rehabilitation & Wellness	Rawlins, WY	100%	—	281	6,007	6,288	—	281	6,007	6,288	(556)	1967	08/17/17	40
Wind River Rehabilitation & Wellness	Riverton, WY	100%	—	199	11,398	11,597	—	199	11,398	11,597	(1,028)	1967	08/17/17	40
Sage View Care Center	Rock Springs, WY	100%	—	420	8,665	9,085	—	420	8,665	9,085	(815)	1964/2017	08/17/17	40
Shelton Health and Rehabilitation Center	Shelton, WA	100%	—	415	8,965	9,380	—	415	8,965	9,380	(899)	1998	08/17/17	40
Dundee Nursing Home	Bennettsville, SC	100%	—	1,437	4,631	6,068	—	1,437	4,631	6,068	(477)	1958	08/17/17	40
Mt. Pleasant Nursing Center	Mount Pleasant, SC	100%	—	2,689	3,942	6,631	—	2,689	3,942	6,631	(431)	1977/2015	08/17/17	40

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				Land	Improvements <sup>(2)(3)</sup>									
Tri-State Comp Care Center	Harrogate, TN	100%	—	1,811	4,963	6,774	—	1,811	4,963	6,774	(554)	1990/2005	08/17/17	40
Epic-Conway	Conway, SC	100%	—	1,408	10,784	12,192	—	1,408	10,784	12,192	(1,083)	1975	08/17/17	40
Epic- Bayview	Beaufort, SC	100%	—	1,842	11,389	13,231	—	1,842	11,389	13,231	(1,110)	1970	08/17/17	40
Focused Care at Baytown	Baytown, TX	100%	—	479	6,351	6,830	209	479	6,457	6,936	(647)	1970/2019	08/17/17	40
Focused Care at Allenbrook	Baytown, TX	100%	—	426	3,236	3,662	173	426	3,372	3,798	(429)	1975/2019	08/17/17	40
Focused Care at Huntsville	Huntsville, TX	100%	—	302	3,153	3,455	75	302	3,201	3,503	(359)	1968/2019	08/17/17	40
Focused Care at Center	Center, TX	100%	—	231	1,335	1,566	312	231	1,556	1,787	(253)	1972/2019	08/17/17	40
Focused Care at Humble	Humble, TX	100%	—	2,114	1,643	3,757	596	2,114	2,100	4,214	(389)	1972/2019	08/17/17	40
Focused Care at Beechnut	Houston, TX	100%	—	1,019	5,734	6,753	318	1,019	5,876	6,895	(628)	1982/2019	08/17/17	40
Focused Care at Linden	Linden, TX	100%	—	112	256	368	133	112	331	443	(82)	1968/2019	08/17/17	40
Focused Care at Sherman	Sherman, TX	100%	—	469	6,310	6,779	255	469	6,400	6,869	(663)	1971/2019	08/17/17	40
Focused Care at Mount Pleasant	Mount Pleasant, TX	100%	—	250	6,913	7,163	345	250	7,249	7,499	(768)	1970/2019	08/17/17	40
Focused Care at Waxahatchie	Waxahatchie, TX	100%	—	416	7,259	7,675	582	416	7,789	8,205	(773)	1976/2019	08/17/17	40
Focused Care at Gilmer	Gilmer, TX	100%	—	707	4,552	5,259	93	707	4,605	5,312	(505)	1990/2019	08/17/17	40
Hearthstone of Northern Nevada	Sparks, NV	100%	—	1,986	9,004	10,990	—	1,986	9,004	10,990	(902)	1988	08/17/17	40
Golden Living Center - Richmond	Richmond, IN	100%	—	259	9,819	10,078	131	259	9,950	10,209	(936)	1975/2005	08/17/17	40
Golden Living Center - Petersburg	Petersburg, IN	100%	—	581	5,367	5,948	23	581	5,390	5,971	(547)	1970/2009	08/17/17	40
Beverly Health - Ft. Pierce	Fort Pierce, FL	100%	—	787	16,648	17,435	—	787	16,648	17,435	(1,525)	1960/2011	08/17/17	40
Maryville	Maryville, MO	100%	—	114	5,955	6,069	—	150	5,955	6,105	(625)	1972	08/17/17	40
Ashland Healthcare	Ashland, MO	100%	—	765	2,669	3,434	—	765	2,669	3,434	(300)	1993	08/17/17	40
Bellefontaine Gardens	St. Louis, MO	100%	—	2,071	5,739	7,810	—	2,071	5,739	7,810	(645)	1988/1991	08/17/17	40
Current River Nursing Center	Doniphan, MO	100%	—	657	8,251	8,908	—	657	8,251	8,908	(816)	1991	08/17/17	40
Dixon Nursing & Rehab	Dixon, MO	100%	—	521	3,358	3,879	—	521	3,358	3,879	(360)	1989/2011	08/17/17	40
Forsyth Nursing & Rehab	Forsyth, MO	100%	—	594	8,549	9,143	—	594	8,549	9,143	(858)	1993/2007	08/17/17	40
Glenwood Healthcare	Seymour, MO	100%	—	658	901	1,559	—	658	901	1,559	(126)	1990	08/17/17	40

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				Land	Building and Improvements <sup>(2)</sup>		Land	Building and Improvements <sup>(2)</sup>						
Silex Community Care	Silex, MO	100%	—	807	4,990	5,797	—	807	4,990	5,797	(508)	1991	08/17/17	40
South Hampton Place	Columbia, MO	100%	—	2,322	6,547	8,869	—	2,322	6,547	8,869	(677)	1994	08/17/17	40
Stratford Care Center	Stratford, MO	100%	—	1,634	6,518	8,152	—	1,634	6,518	8,152	(659)	1995	08/17/17	40
Windsor Healthcare & Rehab	Windsor, MO	100%	—	471	6,819	7,290	—	471	6,819	7,290	(625)	1996	08/17/17	40
Park Manor of Conroe	Conroe, TX	100%	—	1,222	19,099	20,321	—	1,222	19,099	20,321	(1,711)	2001	08/17/17	40
Park Manor of Cypress Station	Houston, TX	100%	—	1,334	11,615	12,949	—	1,334	11,615	12,949	(1,084)	2003/2013	08/17/17	40
Park Manor of Humble	Humble, TX	100%	—	1,541	12,332	13,873	645	1,541	12,977	14,518	(1,306)	2003/2019	08/17/17	40
Park Manor of Quail Valley	Missouri City, TX	100%	—	1,825	9,681	11,506	—	1,825	9,681	11,506	(939)	2005	08/17/17	40
Park Manor of Westchase	Houston, TX	100%	—	2,676	7,396	10,072	—	2,676	7,396	10,072	(734)	2005	08/17/17	40
Park Manor of CyFair	Houston, TX	100%	—	1,732	12,921	14,653	—	1,732	12,921	14,653	(1,197)	1999	08/17/17	40
Park Manor of McKinney	McKinney, TX	100%	—	1,441	9,017	10,458	—	1,441	9,017	10,458	(911)	1993/2012	08/17/17	40
Tanglewood Health and Rehabilitation	Topeka, KS	100%	—	176	2,340	2,516	—	176	2,340	2,516	(250)	1973/2013	08/17/17	40
Smoky Hill Health and Rehabilitation	Salina, KS	100%	—	301	4,201	4,502	—	301	4,201	4,502	(428)	1981	08/17/17	40
Belleville Health Center	Belleville, KS	100%	—	600	1,664	2,264	—	600	1,664	2,264	(213)	1977	08/17/17	40
Westridge Healthcare Center	Terre Haute, IN	100%	—	1,067	7,061	8,128	—	1,067	7,061	8,128	(677)	1965/1984	08/17/17	40
Willow Bend Living Center	Muncie, IN	100%	—	1,168	9,562	10,730	—	1,168	9,562	10,730	(874)	1976/1986	08/17/17	40
Twin City Healthcare	Gas City, IN	100%	—	345	8,852	9,197	—	345	8,852	9,197	(808)	1974	08/17/17	40
Pine Knoll Rehabilitation Center	Winchester, IN	100%	—	711	5,554	6,265	—	711	5,554	6,265	(535)	1986/1998	08/17/17	40
Willow Crossing Health & Rehab Center	Columbus, IN	100%	—	1,290	10,714	12,004	—	1,290	10,714	12,004	(983)	1988/2004	08/17/17	40
Persimmon Ridge Center	Portland, IN	100%	—	315	9,848	10,163	—	315	9,848	10,163	(917)	1964	08/17/17	40
Vermillion Convalescent Center	Clinton, IN	100%	—	884	9,839	10,723	—	884	9,839	10,723	(962)	1971	08/17/17	40
Las Vegas Post Acute & Rehabilitation	Las Vegas, NV	100%	—	509	18,216	18,725	—	509	18,216	18,725	(1,598)	1964	08/17/17	40
Torey Pines Rehabilitation Hospital	Las Vegas, NV	100%	—	3,169	7,863	11,032	—	3,169	7,863	11,032	(777)	1972/1997	08/17/17	40
Villa Campana Rehabilitation Hospital	Tucson, AZ	100%	—	1,800	4,387	6,187	1,131	1,800	5,518	7,318	(591)	1983/2011, 2020	08/17/17	40
Kachina Point Rehabilitation Hospital	Sedona, AZ	100%	—	2,035	10,981	13,016	714	2,035	11,695	13,730	(1,136)	1984/2011	08/17/17	40
Bay View Rehabilitation Hospital	Alameda, CA	100%	—	3,078	22,328	25,406	—	3,078	22,328	25,406	(2,003)	1967	08/17/17	40
Dover Center for Health & Rehabilitation	Dover, NH	100%	—	522	5,839	6,361	—	522	5,839	6,361	(729)	1969/1992, 2017	08/17/17	40
Augusta Center for Health & Rehabilitation	Augusta, ME	100%	—	135	6,470	6,605	—	135	6,470	6,605	(635)	1967	08/17/17	40
Eastside Center for Health & Rehabilitation	Bangor, ME	100%	—	302	1,811	2,113	2,112	302	3,923	4,225	(281)	1967/1993, 2019	08/17/17	40

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Winship Green Center for Health & Rehabilitation	Bath, ME	100%	—	250	1,934	2,184	—	250	1,934	2,184	(212)	1974	08/17/17	40
Brewer Center for Health & Rehabilitation	Brewer, ME	100%	—	177	14,497	14,674	2,436	177	16,933	17,110	(1,450)	1974/1990, 2019	08/17/17	40
Kennebunk Center for Health & Rehabilitation	Kennebunk, ME	100%	—	198	6,822	7,020	76	198	6,898	7,096	(659)	1977	08/17/17	40
Norway Center for Health & Rehabilitation	Norway, ME	100%	—	791	3,680	4,471	—	791	3,680	4,471	(384)	1976	08/17/17	40
Brentwood Center for Health & Rehabilitation	Yarmouth, ME	100%	—	134	2,072	2,206	—	134	2,072	2,206	(232)	1952	08/17/17	40
Country Center for Health & Rehabilitation	Newburyport, MA	100%	—	269	4,436	4,705	—	269	4,436	4,705	(575)	1968/2009	08/17/17	40
Sachem Center for Health & Rehabilitation	E. Bridgewater, MA	100%	—	447	1,357	1,804	—	447	1,357	1,804	(216)	1968	08/17/17	40
Eliot Center for Health & Rehabilitation	Natick, MA	100%	—	475	1,491	1,966	—	475	1,491	1,966	(204)	1964	08/17/17	40
The Reservoir Center for Health & Rehabilitation	Marlborough, MA	100%	—	942	1,541	2,483	8,727	942	10,268	11,210	(1,276)	1973/2018	08/17/17	40
Newton Wellesley Center for Alzheimer's Care	Wellesley, MA	100%	—	1,186	13,917	15,103	—	1,186	13,917	15,103	(1,277)	1971	08/17/17	40
Colony Center for Health & Rehabilitation	Abington, MA	100%	—	1,727	2,103	3,830	—	1,727	2,103	3,830	(268)	1965	08/17/17	40
Westgate Center for Rehab & Alzheimer's Care	Bangor, ME	100%	—	229	7,171	7,400	203	229	7,374	7,603	(716)	1969/1993	08/17/17	40
New Orange Hills	Orange, CA	100%	—	4,163	14,755	18,918	—	4,163	14,755	18,918	(1,390)	1987/2020	08/17/17	40
Millbrook Healthcare & Rehabilitation Center	Lancaster, TX	100%	—	548	5,794	6,342	—	548	5,794	6,342	(600)	2008	08/17/17	40
Pleasant Valley Health & Rehab	Garland, TX	100%	—	1,118	7,490	8,608	—	1,118	7,490	8,608	(739)	2008	08/17/17	40
Focused Care at Clarksville	Clarksville, TX	100%	—	279	4,269	4,548	100	279	4,369	4,648	(496)	1989/2019	08/17/17	40
McKinney Healthcare & Rehab	McKinney, TX	100%	—	1,272	6,047	7,319	—	1,272	6,047	7,319	(641)	2006	08/17/17	40
Golden Living Center - Hopkins	Hopkins, MN	100%	—	807	4,668	5,475	530	807	5,198	6,005	(672)	1961/2008, 2019	08/17/17	40
Golden Living Center - Florence	Florence, WI	100%	—	291	3,778	4,069	—	291	3,778	4,069	(418)	1970	08/17/17	40
Golden Living Center - South Shore	St. Francis, WI	100%	—	166	1,887	2,053	—	166	1,887	2,053	(217)	1960/1997	08/17/17	40
Golden Living Center - Rochester East	Rochester, MN	100%	—	645	7,067	7,712	178	645	7,245	7,890	(727)	1967/2011, 2019	08/17/17	40
Golden Living Center - Wisconsin Dells	Wisconsin Dells, WI	100%	—	1,640	1,599	3,239	—	1,640	1,599	3,239	(238)	1972/2006	08/17/17	40
Golden Living Center - Sheboygan	Sheboygan, WI	100%	—	1,038	2,839	3,877	—	1,038	2,839	3,877	(358)	1967/2012	08/17/17	40
Golden Living Center - Hendersonville	Hendersonville, NC	100%	—	1,611	3,503	5,114	—	1,611	3,503	5,114	(407)	1979	08/17/17	40
Focused Care at Corpus	Corpus Christi, TX	100%	—	366	6,961	7,327	127	51	1,061	1,112	(373)	1973/2010	08/17/17	40
Focused Care at Burnet Bay	Baytown, TX	100%	—	579	22,317	22,896	103	579	22,420	22,999	(2,022)	2000/2013	08/17/17	40

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Focused Care at Cedar Bayou	Baytown, TX	100%	—	589	20,475	21,064	328	589	20,803	21,392	(1,952)	2008	08/17/17	40
Focused Care at Westwood	Houston, TX	100%	—	1,300	13,353	14,653	31	1,300	13,384	14,684	(1,298)	2006	08/17/17	40
Focused Care at Pasadena	Pasadena, TX	100%	—	1,148	23,579	24,727	38	1,148	23,617	24,765	(2,170)	2004	08/17/17	40
Focused Care at Webster	Webster, TX	100%	—	904	10,315	11,219	24	904	10,339	11,243	(1,027)	2000/2009	08/17/17	40
Focused Care at Summer Place	Beaumont, TX	100%	—	945	20,424	21,369	253	945	20,677	21,622	(1,875)	2009	08/17/17	40
Focused Care at Orange	Orange, TX	100%	—	711	10,737	11,448	171	711	10,908	11,619	(1,034)	2006	08/17/17	40
Signature Healthcare of Whitesburg Gardens	Huntsville, AL	100%	—	634	28,071	28,705	—	634	28,071	28,705	(2,479)	1968/2012	08/17/17	40
Signature Healthcare of Terre Haute	Terre Haute, IN	100%	—	644	37,451	38,095	—	644	37,451	38,095	(3,716)	1996/2013	08/17/17	40
Signature Healthcare at Larkin Springs	Madison, TN	100%	—	902	3,850	4,752	—	902	3,850	4,752	(465)	1969/2016	08/17/17	40
Signature Healthcare of Savannah	Savannah, GA	100%	—	1,235	3,765	5,000	—	1,235	3,765	5,000	(476)	1970/2015	08/17/17	40
Signature Healthcare of Bluffton	Bluffton, IN	100%	—	254	5,105	5,359	—	254	5,105	5,359	(549)	1970/2015	08/17/17	40
Signature Healthcare of Bowling Green	Bowling Green, KY	100%	—	280	13,975	14,255	—	280	13,975	14,255	(1,364)	1970/2015	08/17/17	40
Oakview Nursing and Rehabilitation Center	Calvert City, KY	100%	—	1,176	7,012	8,188	—	1,176	7,012	8,188	(727)	1962/2015	08/17/17	40
Fountain Circle Care and Rehabilitation Center	Winchester, KY	100%	—	554	13,207	13,761	—	554	13,207	13,761	(1,316)	1967/2015	08/17/17	40
Riverside Care & Rehabilitation Center	Calhoun, KY	100%	—	613	7,643	8,256	—	613	7,643	8,256	(814)	1963/2015	08/17/17	40
Signature Healthcare of Bremen	Bremen, IN	100%	—	173	7,393	7,566	—	173	7,393	7,566	(720)	1982/2015	08/17/17	40
Signature Healthcare of Muncie	Muncie, IN	100%	—	374	27,429	27,803	—	374	27,429	27,803	(2,476)	1980/2013	08/17/17	40
Signature Healthcare at Parkwood	Lebanon, IN	100%	—	612	11,755	12,367	—	612	11,755	12,367	(1,124)	1977/2012	08/17/17	40
Signature Healthcare at Tower Road	Marietta, GA	100%	—	364	16,116	16,480	—	364	16,116	16,480	(1,580)	1969/2015	08/17/17	40
Danville Centre for Health and Rehabilitation	Danville, KY	100%	—	790	9,356	10,146	—	790	9,356	10,146	(1,075)	1962/2015	08/17/17	40
Signature Healthcare at Hillcrest	Owensboro, KY	100%	—	1,048	22,587	23,635	—	1,048	22,587	23,635	(2,118)	1963/2011	08/17/17	40
Signature Healthcare of Elizabethtown	Elizabethtown, KY	100%	—	239	4,853	5,092	—	239	4,853	5,092	(509)	1969	08/17/17	40
Signature Healthcare of Primary	Memphis, TN	100%	—	1,633	9,371	11,004	—	1,633	9,371	11,004	(962)	1981/2015	08/17/17	40
Signature Healthcare of Harbour Pointe	Norfolk, VA	100%	—	705	16,451	17,156	—	705	16,451	17,156	(1,746)	1969/2015	08/17/17	40
Harrodsburg Health & Rehabilitation Center	Harrodsburg, KY	100%	—	1,049	9,851	10,900	—	1,049	9,851	10,900	(1,077)	1975/2016	08/17/17	40
Signature Healthcare of Putnam County	Cookeville, TN	100%	—	1,034	15,555	16,589	—	1,034	15,555	16,589	(1,493)	1979/2016	08/17/17	40

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Signature Healthcare of Fayette County	Washington Court House, OH	100%	—	405	4,839	5,244	—	405	4,839	5,244	(551)	1984/2015	08/17/17	40
Signature Healthcare of Gallion	Gallion, OH	100%	—	836	668	1,504	—	836	668	1,504	(124)	1967/1985	08/17/17	40
Signature Healthcare of Roanoke Rapids	Roanoke Rapids, NC	100%	—	373	10,308	10,681	—	373	10,308	10,681	(1,088)	1967/2015	08/17/17	40
Signature Healthcare of Kinston	Kinston, NC	100%	—	954	7,987	8,941	—	954	7,987	8,941	(945)	1960/2015	08/17/17	40
Signature Healthcare of Chapel Hill	Chapel Hill, NC	100%	—	809	2,703	3,512	302	809	3,005	3,814	(460)	1984/2015	08/17/17	40
Signature Healthcare of Chillicothe	Chillicothe, OH	100%	—	260	8,924	9,184	—	260	8,924	9,184	(972)	1974/2015	08/17/17	40
Signature Healthcare of Coshocton	Coshocton, OH	100%	—	374	2,530	2,904	—	374	2,530	2,904	(373)	1974/2015	08/17/17	40
McCreary Health & Rehabilitation Center	Pine Knot, KY	100%	—	208	7,665	7,873	—	208	7,665	7,873	(760)	1990	08/17/17	40
Colonial Health & Rehabilitation Center	Bardstown, KY	100%	—	634	4,094	4,728	—	634	4,094	4,728	(474)	1968/2010	08/17/17	40
Glasgow Health & Rehabilitation Center	Glasgow, KY	100%	—	83	2,057	2,140	—	83	2,057	2,140	(288)	1968	08/17/17	40
Green Valley Health & Rehabilitation Center	Carrollton, KY	100%	—	124	1,693	1,817	—	124	1,693	1,817	(249)	1978/2016	08/17/17	40
Hart County Health & Rehabilitation	Horse Cave, KY	100%	—	208	7,070	7,278	—	208	7,070	7,278	(765)	1993	08/17/17	40
Heritage Hall Health & Rehabilitation Center	Lawrenceburg, KY	100%	—	635	9,861	10,496	—	635	9,861	10,496	(992)	1973	08/17/17	40
Jackson Manor	Annville, KY	100%	—	479	6,078	6,557	—	479	6,078	6,557	(599)	1989	08/17/17	40
Jefferson Manor	Louisville, KY	100%	—	3,528	4,653	8,181	—	3,528	4,653	8,181	(574)	1982/2012	08/17/17	40
Jefferson Place	Louisville, KY	100%	—	2,207	20,733	22,940	—	2,207	20,733	22,940	(1,928)	1991/2010	08/17/17	40
Monroe Health & Rehabilitation Center	Tompkinsville, KY	100%	—	333	9,556	9,889	—	333	9,556	9,889	(950)	1969	08/17/17	40
North Hardin Health & Rehabilitation Center	Radeliff, KY	100%	—	1,815	7,470	9,285	—	1,815	7,470	9,285	(941)	1986	08/17/17	40
Professional Care Health & Rehabilitation Center	Hartford, KY	100%	—	312	8,189	8,501	—	312	8,189	8,501	(832)	1967	08/17/17	40
Rockford Health & Rehabilitation Center	Louisville, KY	100%	—	427	6,003	6,430	—	427	6,003	6,430	(650)	1975/2005	08/17/17	40
Summerfield Health & Rehabilitation Center	Louisville, KY	100%	—	1,134	9,166	10,300	—	1,134	9,166	10,300	(1,018)	1979/2013	08/17/17	40
Tanbark Senior Living	Lexington, KY	100%	—	2,558	4,311	6,869	—	2,558	4,311	6,869	(521)	1989	08/17/17	40
Summit Manor Health & Rehabilitation Center	Columbia, KY	100%	—	114	11,141	11,255	—	114	11,141	11,255	(1,084)	1965	08/17/17	40
Belle View Estates Rehabilitation and Care Center	Monticello, AR	100%	—	206	3,179	3,385	—	206	3,179	3,385	(371)	1995	08/17/17	40
River Chase Rehabilitation and Care Center	Morrilton, AR	100%	—	508	—	508	—	508	—	508	—	1988/2019	08/17/17	40

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Heartland Rehabilitation and Care Center	Benton, AR	100%	—	1,336	7,386	8,722	—	1,336	7,386	8,722	(786)	1992	08/17/17	40
River Ridge Rehabilitation and Care Center	Wynne, AR	100%	—	227	4,007	4,234	—	227	4,007	4,234	(431)	1990	08/17/17	40
Brookridge Cove Rehabilitation and Care Center	Morrilton, AR	100%	—	412	2,642	3,054	—	466	2,642	3,108	(349)	1996	08/17/17	40
Southern Trace Rehabilitation and Care Center	Bryant, AR	100%	—	819	8,938	9,757	—	819	8,938	9,757	(847)	1989/2015	08/17/17	40
Lake Village Rehabilitation and Care Center	Lake Village, AR	100%	—	507	4,838	5,345	—	507	4,838	5,345	(526)	1998	08/17/17	40
Savannah Specialty Care Center	Savannah, GA	100%	—	2,194	11,711	13,905	—	2,194	11,711	13,905	(1,095)	1972	08/17/17	40
Pettigrew Rehabilitation Center	Durham, NC	100%	—	470	9,633	10,103	—	470	9,633	10,103	(892)	1968/2006	08/17/17	40
Sunnybrook Rehabilitation Center	Raleigh, NC	100%	—	1,155	11,749	12,904	—	1,155	11,749	12,904	(1,114)	1971	08/17/17	40
Raleigh Rehabilitation Center	Raleigh, NC	100%	—	926	17,649	18,575	—	926	17,649	18,575	(1,645)	1967/2007	08/17/17	40
Cypress Pointe Rehabilitation Center	Wilmington, NC	100%	—	611	5,051	5,662	—	611	5,051	5,662	(534)	1966/2013	08/17/17	40
Silas Creek Rehabilitation Center	Winston-Salem, NC	100%	—	879	3,283	4,162	—	879	3,283	4,162	(396)	1965	08/17/17	40
Lincolnton Rehabilitation Center	Lincolnton, NC	100%	—	—	9,967	9,967	—	—	9,967	9,967	(949)	1976	08/17/17	40
Rehabilitation and Nursing Center of Monroe	Monroe, NC	100%	—	166	5,906	6,072	—	166	5,906	6,072	(626)	1963/2005	08/17/17	40
Guardian Care of Zebulon	Zebulon, NC	100%	—	594	8,559	9,153	—	594	8,559	9,153	(782)	1973/2010	08/17/17	40
Guardian Care of Rocky Mount	Rocky Mount, NC	100%	—	—	18,314	18,314	—	—	18,314	18,314	(1,644)	1975	08/17/17	40
San Pedro Manor	San Antonio, TX	100%	—	671	2,504	3,175	—	671	2,504	3,175	(302)	1986	08/17/17	40
Park Manor Health Care & Rehabilitation	DeSoto, TX	100%	—	942	6,033	6,975	—	942	6,033	6,975	(629)	1987	08/17/17	40
Avalon Place - Trinity	Trinity, TX	100%	—	363	3,852	4,215	—	363	3,852	4,215	(432)	1985/2019	08/17/17	40
Avalon Place - Kirbyville	Kirbyville, TX	100%	—	208	5,809	6,017	—	208	5,809	6,017	(624)	1987	08/17/17	40
Heritage House of Marshall	Marshall, TX	100%	—	732	4,288	5,020	—	732	4,288	5,020	(474)	2008	08/17/17	40
Autumn Woods Residential Health Care Facility	Warren, MI	100%	—	2,052	25,539	27,591	—	2,052	25,539	27,591	(2,636)	1961/2001	08/17/17	40
Autumn View Health Care Facility	Hamburg, NY	100%	—	1,026	54,086	55,112	—	1,026	54,086	55,112	(4,881)	1983/2014	08/17/17	40
Brookhaven Health Care Facility	East Patchogue, NY	100%	—	2,181	30,373	32,554	—	2,181	30,373	32,554	(2,883)	1988/2011	08/17/17	40
Harris Hill Nursing Facility	Williamsville, NY	100%	—	1,122	46,413	47,535	—	1,122	46,413	47,535	(4,112)	1992/2007	08/17/17	40
Garden Gate Health Care Facility	Cheekstowaga, NY	100%	—	1,164	29,905	31,069	—	1,164	29,905	31,069	(2,808)	1979/2006	08/17/17	40

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Northgate Health Care Facility	North Tonaawanda, NY	100%	—	830	29,488	30,318	—	830	29,488	30,318	(2,768)	1982/2007	08/17/17	40
Seneca Health Care Center	West Seneca, NY	100%	—	1,325	26,839	28,164	—	1,325	26,839	28,164	(2,473)	1974/2008	08/17/17	40
Blueberry Hill Rehab and Healthcare Center	Beverly, MA	100%	—	2,410	13,588	15,998	—	2,410	13,588	15,998	(1,684)	1965/2015	08/17/17	40
River Terrace Rehabilitation and Healthcare Center	Lancaster, MA	100%	—	343	7,733	8,076	—	343	7,733	8,076	(740)	1970/2005	08/17/17	40
The Crossings East Campus	New London, CT	100%	—	505	2,248	2,753	48	505	2,296	2,801	(369)	1967/2016	08/17/17	40
Parkway Pavilion Healthcare	Enfield, CT	100%	—	437	16,461	16,898	27	437	16,488	16,925	(1,611)	1968/2015	08/17/17	40
Quincy Health & Rehabilitation Center	Quincy, MA	100%	—	894	904	1,798	129	894	1,033	1,927	(166)	1965/2003	08/17/17	40
Den-Mar Health & Rehabilitation Center	Rockport, MA	100%	—	—	1,765	1,765	—	—	1,765	1,765	(221)	1963/1993	08/17/17	40
Firesteel Healthcare Community	Mitchell, SD	100%	—	621	14,059	14,680	8,716	621	22,775	23,396	(3,266)	1966/2017	08/17/17	40
Fountain Springs Healthcare Community	Rapid City, SD	100%	—	1,134	13,109	14,243	268	1,134	13,377	14,511	(1,260)	1989/2016, 2019	08/17/17	40
Palisade Healthcare Community	Garrterson, SD	100%	—	362	2,548	2,910	297	362	2,845	3,207	(346)	1971/1982, 2019	08/17/17	40
Shepherd of the Valley Healthcare Community	Casper, WY	100%	—	803	19,210	20,013	1,148	803	20,358	21,161	(1,979)	1961/1990, 2019	08/17/17	40
Wheatcrest Hills Healthcare Community	Britton, SD	100%	—	679	3,216	3,895	331	679	3,547	4,226	(400)	1969/2019	08/17/17	40
Riverview Healthcare Community & Independent Living	Flandreau, SD	100%	—	240	6,327	6,567	—	240	6,327	6,567	(632)	1965/1989	08/17/17	40
Prairie View Healthcare Center	Woonsocket, SD	100%	—	383	2,041	2,424	—	383	2,041	2,424	(239)	1968/2012	08/17/17	40
Wingate at Dutchess (Fishkill)	Fishkill, NY	100%	—	964	30,107	31,071	338	964	30,435	31,399	(2,865)	1995	08/17/17	40
Wingate at Ulster (Highland)	Highland, NY	100%	—	4,371	11,473	15,844	136	4,371	11,609	15,980	(1,164)	1998	08/17/17	40
Wingate at Beacon	Beacon, NY	100%	—	—	25,400	25,400	42	—	25,442	25,442	(2,516)	2002	08/17/17	40
Wingate at Springfield	Springfield, MA	100%	—	817	11,357	12,174	—	817	11,357	12,174	(1,090)	1987	08/17/17	40
Wingate at Andover	Andover, MA	100%	—	2,123	5,383	7,506	—	2,123	5,383	7,506	(592)	1992	08/17/17	40
Wingate at Reading	Reading, MA	100%	—	1,534	5,221	6,755	159	1,534	5,380	6,914	(589)	1988	08/17/17	40
Wingate at Sudbury	Sudbury, MA	100%	—	2,017	3,458	5,475	—	2,017	3,458	5,475	(450)	1997	08/17/17	40
Wingate at Belvidere (Lowell)	Lowell, MA	100%	—	1,335	9,019	10,354	—	1,335	9,019	10,354	(935)	1966/2007	08/17/17	40
Wingate at Worcester	Worcester, MA	100%	—	945	8,770	9,715	50	945	8,820	9,765	(891)	1970/1988	08/17/17	40
Wingate at West Springfield	W. Springfield, MA	100%	—	2,022	7,345	9,367	—	2,022	7,345	9,367	(819)	1960/1985	08/17/17	40
Wingate at East Longmeadow	East Longmeadow, MA	100%	—	2,968	8,957	11,925	190	2,968	9,147	12,115	(1,016)	1985/2005	08/17/17	40
Broadway by the Sea	Long Beach, CA	100%	—	2,939	11,782	14,721	—	2,939	11,690	14,629	(1,168)	1968/2011	09/19/17	40

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Coventry Court Health Center	Anaheim, CA	100%	—	2,044	14,167	16,211	—	2,044	14,167	16,211	(1,375)	1968/2011	09/19/17	40
Fairfield Post-Acute Rehab	Fairfield, CA	100%	—	586	23,582	24,168	—	586	23,582	24,168	(2,129)	1966/2006	09/19/17	40
Garden View Post-Acute Rehab	Baldwin Park, CA	100%	—	2,270	17,063	19,333	—	2,270	17,063	19,333	(1,626)	1970/2015	09/19/17	40
Grand Terrace Health Care Center	Grand Terrace, CA	100%	—	432	9,382	9,814	—	432	9,382	9,814	(901)	1945/2017	09/19/17	40
Pacifica Nursing & Rehab Center	Pacifica, CA	100%	—	1,510	27,397	28,907	—	1,510	27,397	28,907	(2,440)	1975	09/19/17	40
Burien Nursing & Rehab Center	Burien, WA	100%	—	823	17,431	18,254	—	826	17,431	18,257	(1,635)	1965/2014	09/19/17	40
Park West Care Center	Seattle, WA	100%	—	4,802	7,927	12,729	—	4,802	7,927	12,729	(834)	1963/2016	09/19/17	40
Beachside Nursing Center	Huntington Beach, CA	100%	—	2,312	9,885	12,197	—	2,312	9,885	12,197	(945)	1965/2010	09/19/17	40
Chatsworth Park Health Care	Chatsworth, CA	100%	—	7,841	16,916	24,757	—	7,841	16,916	24,757	(1,684)	1976	09/19/17	40
Cottonwood Post-Acute Rehab	Woodland, CA	100%	—	504	7,369	7,873	—	504	7,369	7,873	(741)	1975/2010	09/19/17	40
Danville Post-Acute Rehab	Danville, CA	100%	—	1,491	17,157	18,648	—	1,491	17,157	18,648	(1,599)	1965	09/19/17	40
Lake Balboa Care Center	Van Nuys, CA	100%	—	2,456	16,462	18,918	—	2,456	16,462	18,918	(1,478)	1958/2015	09/19/17	40
Lomita Post-Acute Care Center	Lomita, CA	100%	—	2,743	14,734	17,477	—	2,743	14,734	17,477	(1,437)	1969	09/19/17	40
University Post-Acute Rehab	Sacramento, CA	100%	—	2,846	17,962	20,808	—	2,846	17,962	20,808	(1,653)	1972	09/19/17	40
Issaquah Nursing & Rehab Center	Issaquah, WA	100%	—	10,125	7,771	17,896	—	10,125	7,771	17,896	(859)	1975/2012	09/19/17	40
Alamitos-Belmont Rehab Hospital	Long Beach, CA	100%	—	3,157	22,067	25,224	—	3,157	22,067	25,224	(2,081)	1966/2014	09/19/17	40
Edgewater Skilled Nursing Center	Long Beach, CA	100%	—	2,857	5,878	8,735	—	2,857	5,878	8,735	(598)	1952/2013	09/19/17	40
Fairmont Rehabilitation Hospital	Lodi, CA	100%	—	812	21,059	21,871	—	812	21,059	21,871	(1,848)	1965	09/19/17	40
Palm Terrace Care Center	Riverside, CA	100%	—	1,717	13,806	15,523	—	1,717	13,806	15,523	(1,417)	1966	09/19/17	40
Woodland Nursing & Rehab	Woodland, CA	100%	—	278	16,729	17,007	—	278	16,729	17,007	(1,555)	1930/2007	09/19/17	40
Park Manor at Bee Cave	Bee Cave, TX	100%	—	2,107	10,413	12,520	—	2,107	10,413	12,520	(1,117)	2014	12/15/17	40
Ramona	El Monte, CA	100%	—	2,058	19,671	21,729	—	2,058	19,671	21,729	(1,700)	1965	01/10/18	40
Park Ridge	Shoreline, WA	100%	—	8,861	11,478	20,339	—	8,861	11,478	20,339	(1,170)	1964/2012	01/19/18	40
			26,476	376,386	3,218,616	3,595,002	63,018	376,164	3,268,306	3,644,470	(385,094)			
<b>Senior Housing - Leased</b>														
Forest Hills (ALF)	Broken Arrow, OK	100%	(4)	1,803	3,927	5,730	—	1,803	3,294	5,097	(1,655)	2000/2018	11/15/10	30
Langdon Place of Exeter	Exeter, NH	100%	2,547	7,183	7,754	—	571	5,940	6,511	6,511	(2,374)	1987	11/15/10	43
Langdon Place of Nashua	Nashua, NH	100%	4,887	—	5,654	—	—	4,605	4,605	4,605	(1,638)	1989	11/15/10	40
Langdon Place of Keene	Keene, NH	100%	3,912	304	3,992	4,296	—	304	3,437	3,741	(1,594)	1995	11/15/10	46

Description	Location	Ownership Percentage Encumbrances <sup>(b)</sup>			Initial Cost to Company			Gross Amount at which Carried at Close of Period			Accumulated Depreciation and Amortization	Original Date of Construction/Renovation	Date Acquired	Life on Which Depreciation in Latest Income Statement is Computed
		Ownership Percentage	Encumbrances <sup>(b)</sup>	Total	Building and Improvements <sup>(a)(b)</sup>		Land	Building and Improvements <sup>(a)(b)</sup>		Total				
					Land	Building and Improvements <sup>(a)(b)</sup>		Land	Building and Improvements <sup>(a)(b)</sup>					
Langdon Place of Dover	Dover, NH	100%	3,164	10,837	801	10,036	10,837	801	8,632	9,433	(3,384)	1987/2009, 2019	11/15/10	42
Age-Well Senior Living	Green Bay, WI	100%	—	2,518	256	2,262	2,518	1,032	3,294	3,550	(1,770)	2004/2011	11/22/11	40
Gulf Pointe Village	Rockport, TX	100%	—	1,396	789	607	1,396	—	607	1,396	(240)	1996/2018	11/30/12	40
Aspen Ridge Retirement Village	Gaylord, MI	100%	—	7,491	2,024	5,467	7,491	—	5,467	7,491	(1,569)	2002	12/14/12	40
Green Acres of Cadillac	Cadillac, MI	100%	—	3,217	217	3,000	3,217	—	3,000	3,217	(728)	2001/2006	12/14/12	40
Green Acres of Greenville	Greenville, MI	100%	—	6,516	684	5,832	6,516	249	6,081	6,765	(1,497)	1999/2001, 2012, 2013, 2018	12/14/12	40
Green Acres of Manistee	Manistee, MI	100%	—	3,530	952	2,578	3,530	2,547	5,125	6,077	(1,229)	2002/2017	12/14/12	40
Green Acres of Mason	Mason, MI	100%	—	4,329	198	4,131	4,329	—	4,131	4,329	(1,045)	2009/2012	12/14/12	40
Nottingham Place	Midland, MI	100%	—	2,489	744	1,745	2,489	400	2,145	2,889	(574)	1995/2015	12/14/12	40
Royal View	Mecosta, MI	100%	—	2,784	307	2,477	2,784	—	2,477	2,784	(686)	2001	12/14/12	40
Tawas Village	East Tawas, MI	100%	—	3,971	258	3,713	3,971	45	3,758	4,016	(1,227)	2005	12/14/12	40
Turning Brook	Alpena, MI	100%	—	13,685	546	13,139	13,685	—	13,139	13,685	(2,856)	2006/2008, 2010	12/14/12	40
Greenfield of Woodstock	Woodstock, VA	100%	—	6,062	597	5,465	6,062	—	5,465	6,062	(1,193)	1996/2015	06/28/13	40
Nye Square	Fremont, NE	100%	—	18,174	504	17,670	18,174	—	17,670	18,174	(3,501)	1989/2002	02/14/14	40
The Meadows	Norfolk, NE	100%	—	10,123	217	9,906	10,123	4,680	14,586	14,803	(2,362)	1989/1991, 1994, 2018, 2019	02/14/14	40
Park Place	Fort Wayne, IN	100%	12,899	23,415	2,300	21,115	23,415	2,747	23,861	26,161	(5,286)	2011/2016, 2018	04/30/14	40
Avalon MC - Boat Club	Fort Worth, TX	100%	—	8,485	359	8,126	8,485	—	8,126	8,485	(1,457)	1996/2015	09/29/14	40
Avalon MC - 7200	Arlington, TX	100%	—	5,037	123	4,914	5,037	—	4,914	5,037	(883)	1988/2014	09/29/14	40
Avalon MC - 7204	Arlington, TX	100%	—	5,036	215	4,821	5,036	—	4,822	5,037	(871)	1988/2014	09/29/14	40
Avalon MC - 7140	Arlington, TX	100%	—	6,796	143	6,653	6,796	—	6,653	6,796	(1,167)	2011	09/29/14	40
Delaney Creek Lodge	Brandon, FL	100%	—	9,707	1,283	8,424	9,707	483	8,907	10,190	(1,777)	1999/2016	10/01/14	40
Nature Coast Lodge	Lecanto, FL	100%	—	6,608	1,031	5,577	6,608	452	6,030	7,061	(1,395)	1997/2016	10/01/14	40
West Winds	Zephyrhills, FL	100%	—	10,786	1,688	9,098	10,786	360	9,459	11,147	(2,025)	2008/2016	10/01/14	40
Tudor Heights	Baltimore, MD	100%	—	5,426	561	4,865	5,426	1,315	2,906	3,250	—	1920/1997, 2010, 2015,	10/14/14	40
Life's Journey of Mattoon	Mattoon, IL	100%	—	7,608	812	6,796	7,608	63	720	831	(26)	2006/2008	09/01/15	40
Life's Journey of Pana	Pana, IL	100%	—	2,252	154	2,098	2,252	—	227	250	(9)	1998/2012	09/01/15	40
Life's Journey of Taylorville	Taylorville, IL	100%	—	5,468	267	5,201	5,468	50	1,794	1,900	(226)	2012/2014	09/01/15	40
Life's Journey of Paris	Paris, IL	100%	—	3,222	132	3,090	3,222	—	996	1,045	(116)	1998/2013	09/01/15	40
Ashley Pointe	Lake Stevens, WA	100%	—	10,618	1,559	9,059	10,618	68	9,127	10,686	(1,475)	1998/2012	09/17/15	40
Farmington Square Eugene	Eugene, OR	100%	—	17,566	1,428	16,138	17,566	101	16,239	17,667	(2,323)	1996/1997, 2011, 2019	09/17/15	40
Farmington Square Tualatin	Tualatin, OR	100%	—	15,186	527	14,659	15,186	101	14,760	15,287	(2,120)	1995/1997, 2019	09/17/15	40

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				Land	Building and Improvements <sup>(2)(3)</sup>	Total		Land	Building and Improvements <sup>(2)(3)</sup>	Total				
Farmington Square of Salem	Salem, OR	100%	—	1,074	19,421	20,495	408	1,074	19,829	20,903	(2,950)	1989/1995, 2018	09/17/15	40
Colorado Springs	Colorado Springs, CO	100%	—	1,210	9,490	10,700	—	1,210	9,490	10,700	(1,463)	2013/2019	11/16/15	40
Sun City West	Sun City West, AZ	100%	—	930	9,170	10,100	248	930	9,418	10,348	(1,301)	2012	07/01/16	40
Poet's Walk at Fredericksburg	Fredericksburg, VA	100%	—	1,379	21,209	22,588	—	1,379	21,209	22,588	(2,786)	2016	07/14/16	40
Poet's Walk at Chandler Oaks	Round Rock, TX	100%	—	679	13,642	14,321	—	679	13,642	14,321	(1,807)	2016	08/01/16	40
The Montecito Santa Fe	Santa Fe, NM	100%	—	2,536	19,441	21,977	—	2,157	21,736	23,893	(2,643)	2006	09/23/16	40
Montecito - MC	Santa Fe, NM	100%	—	670	7,743	8,413	409	670	8,152	8,822	(38)	2020	09/23/16	40
The Golden Crest	Franklin, NH	100%	—	292	6,889	7,181	97	292	6,996	7,288	(976)	1988	11/30/16	40
Poet's Walk at Henderson	Henderson, NV	100%	—	1,430	21,850	23,280	—	1,430	21,862	23,292	(2,543)	2016	12/01/16	40
Kruse Village	Brenham, TX	100%	—	476	11,912	12,388	—	476	11,922	12,398	(1,587)	1991	12/02/16	40
Poet's Walk of Cedar Parks	Cedar Park, TX	100%	—	1,035	13,127	14,162	—	1,035	13,127	14,162	(1,386)	2017	06/01/17	40
Avamere Court at Keizer	Keizer, OR	100%	—	1,220	31,783	33,003	—	1,220	31,783	33,003	(2,861)	1970	08/17/17	40
Arbor Court Retirement Community at Alhamar	Lawrence, KS	100%	—	584	4,431	5,015	—	584	4,431	5,015	(447)	1995/2014	08/17/17	40
Arbor Court Retirement Community at Salina	Salina, KS	100%	—	584	3,020	3,604	—	584	3,020	3,604	(303)	1989/2014	08/17/17	40
Arbor Court Retirement Community at Topeka	Topeka, KS	100%	—	313	5,492	5,805	—	313	5,492	5,805	(509)	1986/2014	08/17/17	40
Aspen Grove Assisted Living	Sturgis, SD	100%	—	555	6,487	7,042	—	555	6,487	7,042	(663)	2013	08/17/17	40
Maurice Griffith Manor Living Center	Casper, WY	100%	—	294	72	366	—	294	72	366	(14)	1984/1985	08/17/17	40
The Peaks at Old Laramie Trail (Lafayette)	Lafayette, CO	100%	—	1,085	19,243	20,328	—	1,883	19,196	21,079	(1,758)	2016	12/15/17	40
Prairie View	Winnebago, IL	100%	—	263	3,743	4,006	—	263	3,743	4,006	(348)	2007	01/31/18	40
Arbor View Assisted Living	Pewaukee, WI	100%	—	1,019	3,606	4,625	—	1,019	3,606	4,625	(299)	2010	04/16/18	40
Legacy Assisted Living	Pewaukee, WI	100%	—	661	5,680	6,341	—	661	5,680	6,341	(434)	2015	04/16/18	40
Greenfield of Strasburg	Strasburg, VA	100%	—	666	5,551	6,217	—	666	5,551	6,217	(437)	2001	04/30/18	40
Poets Walk of Sarasota	Sarasota, FL	100%	—	1,440	22,541	23,981	—	1,440	22,541	23,981	(1,617)	2018	05/18/18	40
The Pointe at Lifespring	Knoxville, TN	100%	—	1,603	9,219	10,822	—	1,603	9,219	10,822	(722)	2017	08/31/18	40
Shavano Park Senior Living	Shavano Park, TX	100%	—	2,131	11,541	13,672	—	2,131	11,541	13,672	(827)	2015	08/31/18	40
Traditions of Beavercreek	Beavercreek, OH	100%	—	1,622	24,215	25,837	7,561	1,622	31,772	33,394	(2,120)	2016	11/01/18	40
Cadence at Poway Gardens	Poway, CA	100%	—	3,693	14,467	18,160	—	3,693	14,467	18,160	(459)	1987/2011	11/22/19	40
Traditions of Brookside (McCordsville)	McCordsville, IN	100%	—	1,587	31,315	32,902	—	1,587	31,315	32,902	(872)	2017	01/07/20	40
Traditions of Beaumont	Louisville, KY	100%	—	1,841	21,827	23,668	—	1,841	21,827	23,668	(552)	2015	01/31/20	40

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				Building and Improvements <sup>(2)(3)</sup>			Land	Building and Improvements <sup>(2)(3)</sup>					Total	
				Land	Total			Land						Total
Traditions at Hunter Station (Clarksville)	Sellersburg, IN	100%	—	1,060	28,702	29,762	—	1,060	28,702	29,762	2015	04/01/20	40	
			27,409	58,286	646,247	704,533	23,416	57,412	650,222	707,634			(87,600)	
<b>Senior Housing - Managed</b>														
Winter Village	Frankenmuth, MI	100%	—	5,027	20,929	25,956	1,201	5,027	22,130	27,157	1982/2008	09/21/12	40	
Stoney River Marshfield	Marshfield, WI	100%	—	574	8,733	9,307	180	574	8,913	9,487	2010	12/18/12	40	
Kensington Court	Windsor, ON	100%	—	1,360	16,855	18,215	1,056	1,435	18,835	20,270	1998	06/11/15	40	
Masonville Manor	London, ON	100%	—	960	19,056	20,016	458	1,013	20,559	21,572	1998/2015, 2019	06/11/15	40	
Okanagan Chateau	Kelowna, BC	100%	—	2,321	8,308	10,629	1,415	2,448	10,179	12,627	1990/2019, 2020	06/11/15	40	
Court at Laurelwood	Waterloo, ON	100%	—	1,823	22,135	23,958	395	1,921	23,745	25,666	2005/2015	06/11/15	40	
Fairwinds Lodge	Samia, ON	100%	—	1,187	20,346	21,533	626	1,251	22,089	23,340	2000/2019	06/11/15	40	
The Shores	Kamloops, BC	100%	4,891	679	8,024	8,703	310	715	8,775	9,490	1992/2014	06/11/15	40	
Orchard Valley	Vernon, BC	100%	6,511	843	10,724	11,567	457	284	11,770	12,054	1990/2008	06/11/15	40	
Cherry Park	Penticton, BC	100%	4,688	763	6,771	7,534	775	804	7,919	8,723	1990/1991, 2014, 2019	06/11/15	40	
Maison Senior Living	Calgary, AB	100%	—	3,908	20,996	24,904	671	4,121	22,818	26,939	2013	09/17/15	40	
Ramsey	Ramsey, MN	100%	—	1,182	13,280	14,462	73	1,182	13,353	14,535	2015	10/06/17	40	
Marshfield II	Marshfield, WI	100%	—	500	4,134	4,634	23	500	4,157	4,657	2014	10/06/17	40	
Dover Place	Dover, DE	100%	—	2,797	23,054	25,851	169	2,797	23,223	26,020	1999	01/02/18	40	
Kanawha Place	Charleston, WV	100%	—	419	4,239	4,658	409	419	4,648	5,067	1969	01/02/18	40	
Leighton Place	Williamsport, PA	100%	—	296	9,191	9,487	240	296	9,431	9,727	1990/2009	01/02/18	40	
Maidencreek Place	Reading, PA	100%	—	684	12,950	13,634	93	684	13,043	13,727	2004	01/02/18	40	
Rolling Meadows Place	Scott Depot, WV	100%	—	230	6,271	6,501	312	230	6,575	6,805	1996	01/02/18	40	
Willowbrook Place	Clarks Summit, PA	100%	—	406	9,471	9,877	712	406	10,183	10,589	1997	01/02/18	40	
Wyncote Place	Wyncote, PA	100%	—	1,781	4,911	6,692	366	1,781	5,277	7,058	1909	01/02/18	40	
Amity Place	Douglasville, PA	100%	—	611	19,083	19,694	146	611	19,229	19,840	2008	01/02/18	40	
Milford Place	Milford, DE	100%	—	1,199	18,786	19,985	237	1,199	19,023	20,222	1999	01/02/18	40	
Oak Hill Place	Oak Hill, WV	100%	—	609	2,636	3,245	189	609	2,825	3,434	2001/2014	01/02/18	40	
Seasons Place	Lewisburg, WV	100%	—	355	5,055	5,410	450	355	5,505	5,860	1995	01/02/18	40	
Parkview in Allen	Allen, TX	100%	—	2,190	45,767	47,957	—	2,190	46,637	48,827	2004/2010	09/25/14	40	
The Atrium At Gainesville	Gainesville, FL	100%	—	2,139	44,789	46,928	—	2,139	46,608	48,747	1986/2013, 2015, 2019	09/25/14	40	
The Chateau	McKinney, TX	100%	—	2,760	44,397	47,157	—	2,760	45,571	48,331	2006/2010, 2019	09/25/14	40	
Gardens At Wakefield Plantation	Raleigh, NC	100%	—	2,344	37,506	39,850	—	2,344	38,275	40,619	2002/2014	09/25/14	40	
Las Brisas	San Luis Obispo, CA	100%	—	4,992	30,909	35,901	—	4,992	31,487	36,479	1987/2006, 2015	09/25/14	40	
Creekside Terrace	Winston-Salem, NC	100%	—	2,995	24,428	27,423	—	2,995	24,782	27,777	2001	09/25/14	40	
Colonial Village	Longview, TX	100%	—	805	26,498	27,303	—	805	27,568	28,373	1985/2010	09/25/14	40	
Garden Village	Kansas City, MO	100%	—	1,325	20,510	21,835	—	1,325	21,466	22,791	1983	09/25/14	40	

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				Land	Building and Improvements <sup>(2)(3)</sup>	Total		Land	Building and Improvements <sup>(2)(3)</sup>	Total				
Desert Rose	Yuma, AZ	100%	—	530	21,775	22,305	—	530	22,124	22,654	(4,107)	1996/2014	09/25/14	40
Windland South	Nashville, TN	100%	—	1,996	19,368	21,364	—	1,996	20,507	22,503	(4,159)	1986/2000	09/25/14	40
Cedar Woods	Branford, CT	100%	—	2,403	18,821	21,224	—	2,403	19,436	21,839	(3,619)	1987	09/25/14	40
Virginian	Richmond, VA	100%	—	1,080	19,545	20,625	—	1,080	20,231	21,311	(3,860)	1989/2007	09/25/14	40
Monarch Estates	Auburn, AL	100%	—	3,209	17,326	20,535	—	3,209	17,768	20,977	(3,419)	2001	09/25/14	40
Village At The Falls	Menomonee Falls, WI	100%	—	1,477	18,778	20,255	—	1,477	19,160	20,637	(3,656)	2005/2006, 2007/2011, 2019	09/25/14	40
Holiday At The Atrium	Glennville, NY	100%	—	978	18,257	19,235	—	978	19,036	20,014	(3,565)	2001/2014	09/25/14	40
Lake Ridge Village	Eustis, FL	100%	—	1,152	17,523	18,675	—	1,152	18,904	20,056	(3,620)	1984/1988, 2013	09/25/14	40
Heritage Village	McAllen, TX	100%	—	4,092	13,823	17,915	—	4,092	14,468	18,560	(2,867)	1988	09/25/14	40
Madison Meadows	Phoenix, AZ	100%	—	2,567	12,029	14,596	—	2,567	12,998	15,565	(2,692)	1986	09/25/14	40
South Wind Heights	Jonesboro, AR	100%	—	1,782	11,244	13,026	—	1,782	11,789	13,571	(2,394)	1999	09/25/14	40
Harrison Regent	Ogden, UT	100%	—	794	10,873	11,667	—	794	11,728	12,522	(2,326)	1985/2016	09/25/14	40
Capital Place	Olympia, WA	100%	—	2,477	23,767	26,244	—	2,477	25,275	27,752	(4,676)	1986/2016	10/07/14	40
The Monarch at Richardson	Richardson, TX	100%	—	2,282	10,556	12,838	925	2,282	11,472	13,754	(415)	1999/2020	11/01/19	40
Elan Westpointe	New Braunfels, TX	100%	—	1,312	23,108	24,420	51	1,312	23,159	24,471	(689)	2015	01/15/20	40
<b>Specialty Hospitals and Other</b>			16,090	78,195	827,535	905,730	11,939	78,343	864,653	942,996	(142,538)			
Texas Regional Medical Center	Sunnyvale, TX	100%	—	4,020	57,620	61,640	—	4,020	57,620	61,640	(17,774)	2009	05/03/11	40
Landmark Aurora	Aurora, CO	100%	—	2,874	12,829	15,703	483	2,874	13,312	16,186	(2,870)	2009/2018	09/20/12	40
Baylor Orthopedic Spine Hospital at Touchstone	Arlington, TX	100%	—	—	44,217	44,217	—	—	44,217	44,217	(3,787)	2009/2016	08/17/17	40
Neurorecovery Center	Conroe, TX	100%	—	2,935	25,003	27,938	—	2,935	25,003	27,938	(2,421)	1992	08/17/17	40
HealthBridge Children's Hospital	Houston, TX	100%	—	3,001	14,581	17,582	—	3,001	14,581	17,582	(1,272)	1999/2009	08/17/17	40
Nexus Specialty Hospital - Woodlands	Spring, TX	100%	—	1,319	15,153	16,472	—	1,319	15,153	16,472	(1,324)	1995/1998	08/17/17	40
HealthBridge Children's Hospital	Orange, CA	100%	—	2,060	5,538	7,598	—	2,060	5,538	7,598	(504)	2000	08/17/17	40
ResCare Tangram - Texas Hill Country	Maxwell, TX	100%	—	902	2,384	3,286	1	902	2,385	3,287	(241)	1993	08/17/17	40
ResCare Tangram - Chaparral	Maxwell, TX	100%	—	901	1,198	2,099	—	901	1,198	2,099	(146)	1994/2009	08/17/17	40
ResCare Tangram - Sierra Verde & Roca	Maxwell, TX	100%	—	456	2,632	3,088	—	456	2,632	3,088	(251)	1992	08/17/17	40
ResCare Tangram - 618 W. Hutchinson	San Marcos, TX	100%	—	51	359	410	62	51	359	410	(35)	1869	08/17/17	40
ResCare Tangram - Seguin, TX	Seguin, TX	100%	—	539	2,627	3,166	—	539	2,627	3,166	(319)	1989	08/17/17	40
ResCare Tangram - Mesquite	Seguin, TX	100%	—	228	3,407	3,635	79	228	3,486	3,714	(352)	1985/1991	08/17/17	40

Description	Location	Ownership Percentage	Encumbrances <sup>(1)</sup>	Initial Cost to Company			Cost Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period			Accumulated Depreciation and Amortization	Original Date of Construction/Renovation	Date Acquired	Life on Which Depreciation in Latest Income Statement is Computed	
				Building and Improvements <sup>(2)(3)</sup>		Total		Land	Building and Improvements <sup>(2)(3)</sup>						Total
				Land	Improvements				Land	Improvements					
ResCare Tangram - Hacienda	Kingsbury, TX	100%	—	2,788	2,892	27	104	2,815	2,919	(260)	1990/2012	08/17/17	40		
ResCare Tangram - Loma Linda	Seguin, TX	100%	—	805	857	—	52	805	857	(81)	1970	08/17/17	40		
Aurora Chicago Lakeshore Hospital	Chicago, IL	100%	—	39,732	48,306	—	8,574	39,732	48,306	(3,680)	1992/2011	08/17/17	40		
Aurora Arizona West	Glendale, AZ	100%	—	67,046	68,547	—	1,501	67,046	68,547	(5,863)	1996/2013	08/17/17	40		
Aurora Arizona East	Tempe, AZ	100%	—	50,073	53,210	—	3,137	50,073	53,210	(4,476)	2001/2016	08/17/17	40		
Aurora Charter Oak Hospital	Covina, CA	100%	—	71,542	95,014	—	23,472	71,542	95,014	(6,499)	1974/2011	08/17/17	40		
Aurora Vista del Mar Hospital	Ventura, CA	100%	—	43,645	51,734	—	8,089	43,645	51,734	(4,310)	1984/2018	08/17/17	40		
Aurora San Diego Hospital	San Diego, CA	100%	—	55,015	63,418	7,599	8,403	62,614	71,017	(5,853)	1988/2017	08/17/17	40		
Gateway Rehabilitation Hospital at Florence	Florence, KY	100%	—	26,447	30,313	—	3,866	26,447	30,313	(2,308)	2000	08/17/17	40		
Highlands Regional Rehabilitation Hospital	El Paso, TX	100%	—	6,639	8,648	—	2,009	6,639	8,648	(646)	1999/2009	08/17/17	40		
Landmark New London	New London, CT	100%	—	152	508	98	356	250	606	(32)	1967/2016	08/17/17	40		
Landmark Carmel	Carmel, IN	100%	—	4,347	5,310	—	963	4,347	5,310	(218)	1996/2019	07/24/19	40		
Landmark Louisville	Louisville, KY	100%	—	8,305	9,383	—	1,078	8,305	9,383	(355)	2002/2018	08/21/19	40		
Recovery Centers of America at Monroeville	Monroeville, PA	100%	—	1,758	3,792	13,740	2,034	15,498	17,532	(144)	1987/2020	12/18/19	40		
Multi-property			10,224	565,842	648,766	22,089	82,924	587,869	670,793	(66,021)					
			80,199	5,258,240	5,854,031	120,462	594,843	5,371,050	5,965,893	(681,253)					
Corporate Assets			—	136	136	666	—	802	802	(404)					
			\$80,199	\$5,258,376	\$5,854,167	\$121,128	\$594,843	\$5,371,852	\$5,966,695	\$(681,657)					

(1) Encumbrances do not include deferred financing costs, net of \$1.1 million as of December 31, 2020.

(2) Building and building improvements include land improvements and furniture and equipment.

(3) The aggregate cost of real estate for federal income tax purposes was \$5.0 billion.

(4) Property serves as collateral for secured debt totaling \$10.2 million as of December 31, 2020.

**SCHEDULE III**  
**REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION**  
(dollars in thousands)

	Year Ended December 31,		
	2020	2019	2018
Real estate:			
Balance at the beginning of the year	\$ 5,880,583	\$ 6,255,883	\$ 6,334,855
Acquisitions	110,752	49,483	262,605
Real estate assumed	—	12,962	—
Improvements	47,354	25,451	27,697
Impairment	(6,776)	(143,655)	(1,576)
Sale of real estate	(63,050)	(322,910)	(351,922)
Foreign currency translation	3,448	6,918	(12,639)
Write-off of fully depreciated assets	(5,616)	(3,549)	(3,137)
Balance at the end of the year	<u>\$ 5,966,695</u>	<u>\$ 5,880,583</u>	<u>\$ 6,255,883</u>
Accumulated depreciation:			
Balance at the beginning of the year	\$ (539,213)	\$ (402,338)	\$ (340,423)
Depreciation expense	(166,086)	(163,863)	(174,398)
Impairment	2,773	22,070	163
Sale of real estate	15,886	2,092	108,122
Foreign currency translation	(633)	(723)	1,061
Write-off of fully depreciated assets	5,616	3,549	3,137
Balance at the end of the year	<u>\$ (681,657)</u>	<u>\$ (539,213)</u>	<u>\$ (402,338)</u>

**SCHEDULE IV**  
**MORTGAGE LOANS ON REAL ESTATE**

As of December 31, 2020

(dollars in thousands)

Description	Contractual Interest Rate	Maturity Date	Periodic Payment Terms	Prior Liens	Principal Balance	Book Value <sup>(1)</sup>	Principal Amount of Loans Subject to Delinquent Principal or Interest
<b>Mortgages:</b>							
River Vista	10.0 %	2027	(2)	\$ —	\$ 19,000	\$ 19,000	N/A
<b>Construction Mortgages:</b>							
Arlington	8.0	2022	(3)	—	3,343	3,352	N/A
				<u>\$ —</u>	<u>\$ 22,343</u>	<u>\$ 22,352</u>	

<sup>(1)</sup> The aggregate cost for federal income tax purposes was \$22.5 million as of December 31, 2020.

<sup>(2)</sup> Interest is due monthly, and principal is due at the maturity date.

<sup>(3)</sup> Interest and principal for the first 36 months is deferred and due at the maturity date. Interest after the first 36 months is due monthly.

Changes in mortgage loans are summarized as follows:

	Year Ended December 31,		
	2020	2019	2018
Balance at the beginning of the year	\$ 21,468	\$ 23,146	\$ 16,033
Additions during period:			
Draws	706	1,689	10,943
Interest income added to principal	169	194	1,528
Deductions during period:			
Paydowns/repayments	—	(3,561)	(5,358)
Balance at the end of the year	<u>\$ 22,343</u>	<u>\$ 21,468</u>	<u>\$ 23,146</u>

## 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, in the City of Irvine, State of California, on February 22, 2021.

### SABRA HEALTH CARE REIT, INC.

By:           /S/ RICHARD K. MATROS          

**Richard K. Matros**  
*Chairman, President and  
Chief Executive Officer*

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

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>          /S/ RICHARD K. MATROS          </u> Richard K. Matros	Chairman, President and Chief Executive Officer (Principal Executive Officer)	February 22, 2021
<u>          /S/ HAROLD W. ANDREWS, JR.          </u> Harold W. Andrews, Jr.	Executive Vice President, Chief Financial Officer and Secretary (Principal Financial Officer)	February 22, 2021
<u>          /S/ MICHAEL COSTA          </u> Michael Costa	Executive Vice President, Finance and Chief Accounting Officer (Principal Accounting Officer)	February 22, 2021
<u>          /S/ CRAIG A. BARBAROSH          </u> Craig A. Barbarosh	Director	February 22, 2021
<u>          /S/ KATIE CUSACK          </u> Katie Cusack	Director	February 22, 2021
<u>          /S/ MICHAEL J. FOSTER          </u> Michael J. Foster	Director	February 22, 2021
<u>          /S/ RONALD G. GEARY          </u> Ronald G. Geary	Director	February 22, 2021
<u>          /S/ LYNNE S. KATZMANN          </u> Lynne S. Katzmnn	Director	February 22, 2021
<u>          /S/ ANN KONO          </u> Ann Kono	Director	February 22, 2021
<u>          /S/ RAYMOND J. LEWIS          </u> Raymond J. Lewis	Director	February 22, 2021
<u>          /S/ JEFFREY A. MALEHORN          </u> Jeffrey A. Malehorn	Director	February 22, 2021
<u>          /S/ CLIFTON J. PORTER II          </u> Clifton J. Porter II	Director	February 22, 2021
<u>          /S/ MILTON J. WALTERS          </u> Milton J. Walters	Director	February 22, 2021

**Certification of Chief Executive Officer pursuant to  
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Richard K. Matros, certify that:

1. I have reviewed this annual report on Form 10-K of Sabra Health Care REIT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2021

/s/ RICHARD K. MATROS

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**Richard K. Matros**

*Chairman, President and  
Chief Executive Officer*

**Certification of Chief Financial Officer pursuant to  
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Harold W. Andrews, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Sabra Health Care REIT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2021

/S/ HAROLD W. ANDREWS, JR.

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**Harold W. Andrews, Jr.**  
*Executive Vice President,  
Chief Financial Officer and Secretary*

**Certification pursuant to 18 U.S.C. Section 1350,  
as Adopted pursuant to Section 906 of the  
Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K of Sabra Health Care REIT, Inc. (the “Registrant”) for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Richard K. Matros, as Chairman, President and Chief Executive Officer of the Registrant, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

Date: February 22, 2021

/S/ RICHARD K. MATROS

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**Richard K. Matros**

*Chairman, President and  
Chief Executive Officer*

**Certification pursuant to 18 U.S.C. Section 1350,  
as Adopted pursuant to Section 906 of the  
Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K of Sabra Health Care REIT, Inc. (the “Registrant”) for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Harold W. Andrews, Jr., as Executive Vice President, Chief Financial Officer and Secretary of the Registrant, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

Date: February 22, 2021

/S/ HAROLD W. ANDREWS, JR.

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**Harold W. Andrews, Jr.**  
*Executive Vice President,  
Chief Financial Officer and Secretary*

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## BOARD OF DIRECTORS

### **Rick Matros**

Chairman of the Board, President  
and Chief Executive Officer

### **Craig Barbarosh**

Partner,  
Katten Muchin Rosenman LLP

### **Katie Cusack**

Chief Operating Officer,  
Cornell Capital LLC

### **Michael Foster**

Managing Director,  
RFE Management Corp.

### **Ronald Geary**

Former Owner and President,  
Ellis Park Race Course, Inc.

### **Lynne Katzmann**

President and Chief Executive Officer,  
Juniper Communities

### **Ann Kono**

Chief Executive Officer,  
Leda Advisory Group

### **Raymond Lewis**

President and Chief Executive Officer,  
Aventine Property Group, Inc.

### **Jeffrey Malehorn**

Principal,  
L3.0 Ventures, LLC

### **Clifton Porter II**

Senior Vice President  
of Government Relations,  
American Health Care Association

### **Milton Walters**

President,  
Tri-River Capital

## EXECUTIVE OFFICERS

### **Rick Matros**

Chairman of the Board, President and  
Chief Executive Officer

### **Harold Andrews, Jr.**

Executive Vice President, Chief Financial  
Officer and Secretary

### **Talya Nevo-Hacohen**

Executive Vice President, Chief Investment  
Officer and Treasurer

### **Michael Costa**

Executive Vice President, Finance and Chief  
Accounting Officer

## CORPORATE HEADQUARTERS

18500 Von Karman Avenue  
Suite 550  
Irvine, CA 92612

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP  
2020 Main Street  
Suite 400  
Irvine, CA 92614

## TRANSFER AGENT

American Stock Transfer & Trust Company, LLC  
6201 15th Avenue  
Brooklyn, NY 11219  
astfinancial.com

## SABRA INVESTOR RELATIONS

18500 Von Karman Avenue  
Suite 550  
Irvine, CA 92612  
888.393.8248  
investorrelations@sabrahealth.com





# What happens inside our buildings matters most

SABRA HEALTH CARE REIT, INC.  
18500 Von Karman Avenue  
Suite 550  
Irvine, CA 92612

[sabrahealth.com](http://sabrahealth.com)