

LAND and BUILDINGS

MAY 2024

**NATIONAL HEALTH INVESTORS (NHI):
VOTING AGAINST THE TROUBLING AND CONFLICTED
STATUS QUO AT UPCOMING ANNUAL MEETING**

L & B



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WHY WE ARE HERE

ARCHAIC CORPORATE GOVERNANCE HINDERING NATIONAL HEALTH INVESTORS, INC'S ("NHI") VALUATION AND GROWTH

We believe NHI is an attractive investment and a “diamond in the rough” among REITs given its:

- 1) Undervaluation at 14x 2025e AFFO
- 2) Well-covered nearly 6% dividend yield
- 3) Big senior housing (“SHOP”) growth potential
- 4) Accretive external growth opportunities
- 5) Material upside in under-rented senior housing and skilled nursing net lease portfolios
- 6) Long-term earnings power is substantially above today’s depressed levels

We believe NHI possesses valuable assets, but it is significantly undervalued in large part due to:

- ✗ NHI’s poor corporate governance practices, including a classified Board of Directors (the “Board”)¹
- ✗ Board’s long tenure, web of interlocking relationships, lack of true independence and troubling conflicts of interest
- ✗ Multiple directors with misaligned economic incentives with respect to one of NHI’s largest tenants, National HealthCare Corporation (“NHC”), which has an upcoming lease up for renewal representing ~14% of NHI’s NOI

¹) NHI only recently and reactively committed to include a declassification proposal at its 2025 Annual Meeting following stockholder pressure.

Source: NHI Securities and Exchange Commission (“SEC”) filings and other publicly available information on NHI and NHC directors; Land & Buildings Investment Management, LLC’s (“Land & Buildings” or “L&B”) views and analysis.

URGENCY IS REQUIRED GIVEN ONGOING MAJOR LEASE RENEWAL

INVESTORS DESERVE BETTER GOVERNANCE AHEAD OF NHC LEASE NEGOTIATIONS

NHC is ~14% of NHI's net operating income (NOI) at rents well below market – given a lease renewal is currently in negotiation, we believe conflicts of interest need to be remedied now

- At market rents, given the 3.8x disclosed corporate rent coverage, we believe the upside to NHI earnings could be 15% from this lease alone given the potential to nearly double the rent
 - This outcome would be in stark contrast to the most recent lease renegotiation that resulted in base rents declining over the life of the five-year lease extension, even after normalizing for some asset sales
- Litany of conflicts and interlocking relationships, including some NHI directors possessing significant investments in and relationships with NHC, give us no confidence that NHI directors Robert T. Webb and Charlotte Swafford will act solely in shareholders' best interests given competing incentives:
 - NHI director (and NHC Chairman) Robert Adams owns ~\$38 million of NHC stock and his brother and NHI Chairman, W. Andrew Adams, is an NHC director and former NHC Chairman, and owns ~\$60 million of NHC stock
 - Charlotte Swafford owns (directly and indirectly) approximately \$22 million of NHC stock as of the last public filing and worked at NHC for over four decades, including retiring as Senior Vice President and Treasurer in 2016
 - Robert Webb's 33-year Board tenure at NHI has earned him millions of dollars and it appears that his seat on the Board was given to him in part due to his nearly lifelong relationship with the Adams brothers, in our view

LAND & BUILDINGS TO VOTE AGAINST ROBERT WEBB & CHARLOTTE SWAFFORD



Charlotte Swafford

Highly conflicted and lacks independence given she effectively owes her career to the Adams brothers, in our view

- ✗ Owns (directly and indirectly) approximately \$22 million of NHC stock, multiples of the value of her NHI ownership
- ✗ Spent her life living locally in Tennessee and most of her career working for Andrew and Robert Adams
- ✗ Now at age 76, she worked at top tenant NHC for over four decades, including retiring as SVP and Treasurer in 2016
- ✗ Board apparently failed to look outside of its inner circle when she was appointed as its first female director in 2020



Robert T. Webb

Embodies “old boys’ club” given lifelong connection to Adams Brothers and 33-year Board tenure, in our view

- ✗ Relationship with Adams brothers dates to childhood, including attending Middle Tennessee State U together in 1960s
- ✗ Has no relevant healthcare or real estate experience nor other public company board experience
- ✗ Ran his own office coffee and beverage supply business locally in Tennessee for decades
- ✗ At age 79, he is exceptionally over-tenured, having served on the Board for 33 years

NHI has a resignation policy in place, whereby any director who fails to receive a majority of the votes cast in favor of his or her election, must promptly tender his or her resignation for consideration by the Board. If Mr. Webb or Ms. Swafford fail to receive the requisite vote, then we believe it would clearly be inappropriate for such a director to continue to serve on the Board.

EGREGIOUS COMPENSATION MAY COMPROMISE WEBB AND SWAFFORD

NHI DIRECTOR COMPENSATION OUTSIZED RELATIVE TO HEALTHCARE REIT PEERS

- NHI directors Webb and Swafford were awarded total compensation that significantly eclipsed NHI’s closest healthcare REIT peers in recent years, potentially compromising their independence
- Annual director compensation for Webb and Swafford was more than 50% above the average director compensation at LTC Properties (LTC), CareTrust REIT (CTRE), and Sabra Health Care REIT (SBRA), all similarly sized healthcare REITs that own senior housing and skilled nursing assets⁽¹⁾

Directors	Average Annual Director Compensation Trailing 3 Years (2021 – 2023)
Robert T. Webb	\$327,591
Charlotte Swafford	\$325,924
LTC Properties (LTC)	\$198,017
CareTrust REIT (CTRE)	\$213,375
Sabra Health Care REIT (SBRA)	\$214,135

(1) Closest Healthcare REIT peers as defined in NHI’s 2024 proxy statement in the Company’s 2024 Incentive Plan filed April 4, 2024. Source: NHI, LTC, CTRE and SBRA SEC filings.

ROBERT WEBB HAS PREVIOUSLY RECEIVED VERY WEAK SHAREHOLDER SUPPORT

SHAREHOLDERS SHOWED LACK OF CONFIDENCE IN WEBB AT 2021 NHI ANNUAL MEETING

At the 2021 NHI Annual Meeting, Webb received “Votes For” his election equaling less than 43% of the total shares and just over 61% of votes cast

- 2021 was the last time Webb was up for election as a director given the concerning classified Board structure

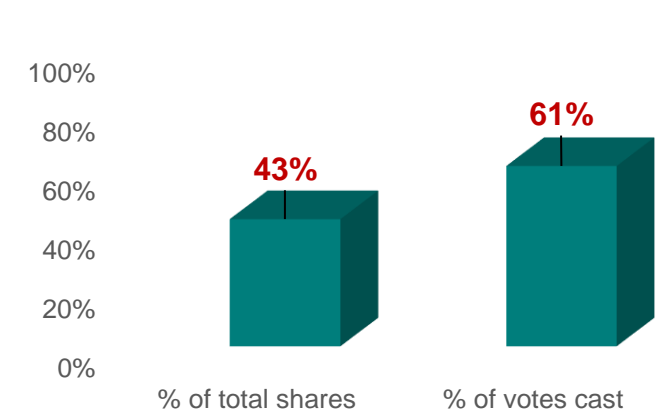
NHI 8-K Filed May 10, 2021

Item 5.07. Submission of Matters to a Vote of Security Holders.

- (a) The Company’s annual meeting of shareholders was held on May 4, 2021. As of the record date, there were a total of 45,459,001 shares of Common Stock outstanding and entitled to vote at the annual meeting. At the annual meeting, 38,164,882 shares of Common Stock were represented in person or by proxy; therefore, a quorum was present.
- (b) Set forth below are the matters acted upon by the Company’s shareholders at the annual meeting and the final voting results on each such matter.
- (1) (a) The nominee named below was elected to serve as a member of the Board of Directors of the Company for a three-year term until the 2024 annual meeting of shareholders and until his successor is duly elected and qualified, and the voting results were as follows:

Nominee	Votes For	Votes Against	Abstentions	Broker Non-Votes
Robert T. Webb	19,419,492	11,903,882	365,232	6,476,276

Webb Received Weak Vote Totals in 2021



RECENT GOVERNANCE CHANGES ARE HALF MEASURES

WE BELIEVE REACTIVE CHANGES ARE TOO LITTLE, TOO LATE

NHI announced the following governance actions on May 6, 2024 in a transparent attempt to placate shareholders and proxy advisory firms:

- 1) Putting up for vote a proposal to remove the classified board structure at NHI's 2025 Annual Meeting;
- 2) Commitment to adding a “disinterested” director to the Board; and
- 3) Further evaluating the composition of the Board and director term limits/age requirements.

If NHI's Board is serious about improving governance and beginning to allay shareholder concerns, it should take the following actions immediately:

- Commit to fully destaggering the Board no later than the 2025 Annual Meeting – while NHI indicated it intends to put this up for a vote at next year's meeting, it did not clarify whether the Board would be fully declassified following approval of such declassification. If NHI cares about doing more than the bare minimum, it has an opportunity to prove it by not pushing the declassification out further and allowing all directors to be voted on at the 2025 Annual Meeting.
- Commit to working directly with shareholders to identify the new director – given the longstanding conflicts of interest caused by some members of the Board possessing significant investments in and relationships with NHC, as well as the clear interlocking relationships among members of the Board, we believe it is impossible for shareholders to trust that the appointment of this new “disinterested” director will be undertaken with full independence and objectivity, or that the new director will be truly independent from NHI and NHC directors and officers, without stockholder input.

L&B CAN BE A CONSTRUCTIVE PARTNER

NHI HAS REFUSED TO MEANINGFULLY ENGAGE WITH L&B ON POTENTIAL GOVERNANCE SOLUTIONS OR NEW DIRECTORS

Investors and analysts can look to Land & Buildings' two most recent cooperation agreements with manufactured housing REIT Sun Communities (SUI) and healthcare REIT Ventas (VTR) as clear examples of our ability work constructively in sourcing highly qualified, independent directors:



SUN COMMUNITIES, INC.®

[Sun Communities, Inc. Appoints Jerry Ehlinger and Craig Leupold to Board of Directors](#)



[Ventas Appoints Theodore Bigman and Joe V. Rodriguez, Jr. to Board of Directors](#)

A DECADES-LONG HISTORY OF DIRECTOR CONNECTIONS BEYOND THE BOARDROOM







Map of Murfreesboro, TN

The map displays the Murfreesboro, Tennessee area with a blue route connecting five key locations for the NHC tour. Each location is highlighted with a red circle. The route starts at NHI Headquarters (National Health Investors), proceeds to NHC Headquarters (City Center Building), then to Middle Tennessee State University, followed by Webb's Refreshments, and finally to Webb's Refreshments next to Boy Scouts of America. A callout box indicates a 19-minute, 6.7-mile drive from the NHC Headquarters to the NHI Headquarters. Other landmarks visible on the map include Ford of Murfreesboro, Sky Zone Murfreesboro, Toof's Broad Street, Demos, Oaklands Mansion, Evergreen Cemetery, Floyd Stadium, and Saint Rose of Lima Catholic Church.

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INSTITUTIONAL SHAREHOLDER SERVICES CITES POOR MARKS ACROSS ESG

QualityScore

Governance		Environment		Social	
 Governance	6	 Environment	10	 Social	10
					
Lower RiskHigher Risk		Higher DisclosureLower Disclosure		Higher DisclosureLower Disclosure	
Board Structure	6	Management of Environmental Risks and Opportunities	10	Human Rights	8
Compensation	5	Carbon and Climate	10	Labor, Health, and Safety	10
Shareholder Rights	6	Natural Resources	8	Stakeholders and Society	8
Audit & Risk Oversight	7	Waste and Toxicity	8	Product Safety, Quality, and Brand	N/A

Governance Scores As Of: May 8, 2024
Last Data Profile Update: May 8, 2024

Environmental and Social Scores As Of: May 8, 2024
Last Data Profile Update: March 13, 2024

SHAREHOLDERS HAVE CRITICAL OPPORTUNITY TO MAKE THEIR VOICES HEARD

THE BOARD REFUSES TO PROACTIVELY ENACT REAL AND NECESSARY CHANGE

L&B recommends the NHI Board take the following actions:

- ✓ The NHC lease, which expires in 2026, should be put out to bid with third-party operators. Given the lopsided conflicts and interlocks among the Adams brothers and other Board members, we find it impossible to see how the Board can ensure fair lease terms without a full process, even if these directors recuse themselves from a renegotiation of the lease between NHI and NHC
- ✓ The Board should take all necessary actions to declassify the Board so that *all directors* are up for election at the 2025 Annual Meeting and serve one-year terms
- ✓ NHI should permanently opt out of the Maryland Unsolicited Takeover Act (“MUTA”)
- ✓ The Board should be refreshed immediately through the addition of truly independent directors (with zero ties to the Adams brothers, NHC, or other members of the Board)

Unfortunately, the Board has been unwilling to seriously engage with us – much less act with urgency

AS A RESULT, WE URGE SHAREHOLDERS TO VOTE “AGAINST” INCUMBENT DIRECTORS ROBERT WEBB AND CHARLOTTE SWAFFORD AT THE UPCOMING MAY 22, 2024 ANNUAL MEETING

LEGAL DISCLOSURES

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