
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: June 30, 2016
OR

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

For the transition period from _____ to _____
Commission File Number: 001-11852

HEALTHCARE REALTY TRUST INCORPORATED

(Exact name of Registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

62 – 1507028
(I.R.S. Employer
Identification No.)

**3310 West End Avenue
Suite 700
Nashville, Tennessee 37203**
(Address of principal executive offices)
(615) 269-8175

(Registrant's telephone number, including area code)

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

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

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

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

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

As of July 29, 2016, the Registrant had 115,862,407 shares of Common Stock outstanding.

HEALTHCARE REALTY TRUST INCORPORATED

FORM 10-Q

June 30, 2016

TABLE OF CONTENTS

| | Page |
|---|--------------------|
| Part I—Financial Information | |
| Item 1. Financial Statements | 1 |
| Condensed Consolidated Balance Sheets | 1 |
| Condensed Consolidated Statements of Income | 2 |
| Condensed Consolidated Statements of Comprehensive Income | 3 |
| Condensed Consolidated Statements of Cash Flows | 4 |
| Notes to Condensed Consolidated Financial Statements | 5 |
| Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations | 16 |
| Item 3. Quantitative and Qualitative Disclosures about Market Risk | 27 |
| Item 4. Controls and Procedures | 27 |
| Part II—Other Information | |
| Item 1. Legal Proceedings | 28 |
| Item 1A. Risk Factors | 28 |
| Item 2. Unregistered Sales of Equity Securities | 28 |
| Item 6. Exhibits | 29 |
| Signature | 30 |

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Healthcare Realty Trust Incorporated
Condensed Consolidated Balance Sheets
(Amounts in thousands, except per share data)

| | (Unaudited) June 30, 2016 | December 31, 2015 |
|--|---------------------------------|----------------------|
| ASSETS | | |
| Real estate properties: | | |
| Land | \$ 208,386 | \$ 198,585 |
| Buildings, improvements and lease intangibles | 3,235,744 | 3,135,893 |
| Personal property | 10,032 | 9,954 |
| Construction in progress | 35,174 | 19,024 |
| Land held for development | 17,438 | 17,452 |
| | 3,506,774 | 3,380,908 |
| Less accumulated depreciation and amortization | (819,744) | (761,926) |
| Total real estate properties, net | 2,687,030 | 2,618,982 |
| Cash and cash equivalents | 9,026 | 4,102 |
| Assets held for sale and discontinued operations, net | 710 | 724 |
| Other assets, net | 185,298 | 186,416 |
| Total assets | \$ 2,882,064 | \$ 2,810,224 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Liabilities: | | |
| Notes and bonds payable | \$ 1,414,739 | \$ 1,424,992 |
| Accounts payable and accrued liabilities | 70,408 | 75,489 |
| Liabilities of discontinued operations | 17 | 33 |
| Other liabilities | 46,452 | 66,963 |
| Total liabilities | 1,531,616 | 1,567,477 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, \$.01 par value; 50,000 shares authorized; none issued and outstanding | — | — |
| Common stock, \$.01 par value; 150,000 shares authorized; 106,662 and 101,517 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively | 1,067 | 1,015 |
| Additional paid-in capital | 2,609,880 | 2,461,376 |
| Accumulated other comprehensive loss | (1,485) | (1,569) |
| Cumulative net income attributable to common stockholders | 930,985 | 909,685 |
| Cumulative dividends | (2,189,999) | (2,127,760) |
| Total stockholders' equity | 1,350,448 | 1,242,747 |
| Total liabilities and stockholders' equity | \$ 2,882,064 | \$ 2,810,224 |

The accompanying notes, together with the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, are an integral part of these financial statements.

Healthcare Realty Trust Incorporated
Condensed Consolidated Statements of Income
For the Three and Six Months Ended June 30, 2016 and 2015
(Amounts in thousands, except per share data)
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|------------------|---------------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| REVENUES | | | | |
| Rental income | \$ 101,472 | \$ 95,450 | \$ 200,212 | \$ 190,484 |
| Mortgage interest | — | 31 | — | 62 |
| Other operating | 1,170 | 1,227 | 2,451 | 2,618 |
| | 102,642 | 96,708 | 202,663 | 193,164 |
| EXPENSES | | | | |
| Property operating | 36,263 | 33,927 | 71,668 | 68,189 |
| General and administrative | 8,129 | 6,713 | 18,375 | 13,451 |
| Depreciation | 28,528 | 26,552 | 56,221 | 52,940 |
| Amortization | 2,762 | 2,474 | 5,463 | 5,142 |
| Bad debts, net of recoveries | 78 | 27 | 39 | (181) |
| | 75,760 | 69,693 | 151,766 | 139,541 |
| OTHER INCOME (EXPENSE) | | | | |
| Gain on sales of real estate properties | 1 | 41,549 | 1 | 41,549 |
| Interest expense | (14,815) | (17,213) | (29,753) | (35,536) |
| Loss on extinguishment of debt | — | (27,998) | — | (27,998) |
| Pension termination | (4) | (5,260) | (4) | (5,260) |
| Impairment of real estate assets | — | — | — | (3,328) |
| Impairment of internally-developed software | — | (654) | — | (654) |
| Interest and other income, net | 93 | 147 | 179 | 239 |
| | (14,725) | (9,429) | (29,577) | (30,988) |
| INCOME FROM CONTINUING OPERATIONS | 12,157 | 17,586 | 21,320 | 22,635 |
| DISCONTINUED OPERATIONS | | | | |
| Income (loss) from discontinued operations | (19) | 330 | (27) | 663 |
| Gain on sales of real estate properties | 7 | — | 7 | — |
| INCOME (LOSS) FROM DISCONTINUED OPERATIONS | (12) | 330 | (20) | 663 |
| NET INCOME | \$ 12,145 | \$ 17,916 | \$ 21,300 | \$ 23,298 |
| BASIC EARNINGS PER COMMON SHARE: | | | | |
| Income from continuing operations | \$ 0.12 | \$ 0.18 | \$ 0.21 | \$ 0.23 |
| Discontinued operations | 0.00 | 0.00 | 0.00 | 0.01 |
| Net income | \$ 0.12 | \$ 0.18 | \$ 0.21 | \$ 0.24 |
| DILUTED EARNINGS PER COMMON SHARE: | | | | |
| Income from continuing operations | \$ 0.12 | \$ 0.18 | \$ 0.21 | \$ 0.23 |
| Discontinued operations | 0.00 | 0.00 | 0.00 | 0.00 |
| Net income | \$ 0.12 | \$ 0.18 | \$ 0.21 | \$ 0.23 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING—BASIC | 103,988 | 99,273 | 102,710 | 98,819 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING—DILUTED | 104,770 | 99,945 | 103,471 | 99,554 |
| DIVIDENDS DECLARED, PER COMMON SHARE, DURING THE PERIOD | \$ 0.30 | \$ 0.30 | \$ 0.60 | \$ 0.60 |

The accompanying notes, together with the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, are an integral part of these financial statements.

Healthcare Realty Trust Incorporated
Condensed Consolidated Statements of Comprehensive Income
For the Three and Six Months Ended June 30, 2016 and 2015
(Dollars in thousands)
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|-----------|---------------------------|-----------|
| | 2016 | 2015 | 2016 | 2015 |
| NET INCOME | \$ 12,145 | \$ 17,916 | \$ 21,300 | \$ 23,298 |
| Other comprehensive income (loss): | | | | |
| Defined benefit plans: | | | | |
| Reclassification adjustment for losses included in net income (Pension termination) | — | 2,519 | — | 2,519 |
| Forward starting interest rate swaps: | | | | |
| Unrecognized loss on cash flow hedges | — | (961) | — | (1,684) |
| Reclassification adjustment for losses included in net income (Interest expense) | 42 | 31 | 84 | 31 |
| Total other comprehensive income | 42 | 1,589 | 84 | 866 |
| COMPREHENSIVE INCOME | \$ 12,187 | \$ 19,505 | \$ 21,384 | \$ 24,164 |

The accompanying notes, together with the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, are an integral part of these financial statements.

Healthcare Realty Trust Incorporated
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2016 and 2015
(Dollars in thousands)
(Unaudited)

| | Six Months Ended June 30, | |
|---|---------------------------|-----------|
| | 2016 | 2015 |
| OPERATING ACTIVITIES | | |
| Net income | \$ 21,300 | \$ 23,298 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 63,280 | 60,250 |
| Stock-based compensation | 3,798 | 3,078 |
| Straight-line rent receivable | (4,223) | (5,358) |
| Straight-line rent liability | 368 | 389 |
| Gain on sales of real estate assets | (8) | (41,606) |
| Loss on extinguishment of debt | — | 27,998 |
| Impairments of real estate properties | — | 3,328 |
| Pension termination | — | 5,260 |
| Impairment of internally-developed software | — | 654 |
| Provision for bad debts, net | 39 | (182) |
| Changes in operating assets and liabilities: | | |
| Other assets | 3,139 | (3,784) |
| Accounts payable and accrued liabilities | (7,927) | (6,424) |
| Other liabilities | (20,287) | 891 |
| Net cash provided by operating activities | 59,479 | 67,792 |
| INVESTING ACTIVITIES | | |
| Acquisitions of real estate | (63,172) | (43,017) |
| Development of real estate | (18,982) | (6,027) |
| Additional long-lived assets | (29,286) | (25,584) |
| Proceeds from sales of real estate | — | 94,463 |
| Proceeds from mortgages and notes receivable repayments | 9 | 9 |
| Net cash (used in) provided by investing activities | (111,431) | 19,844 |
| FINANCING ACTIVITIES | | |
| Net borrowings (repayments) on unsecured credit facility | (16,000) | 73,000 |
| Borrowings on notes and bonds payable | 11,500 | 249,793 |
| Repayments on notes and bonds payable | (19,963) | (48,438) |
| Redemption of notes and bonds payable | — | (333,222) |
| Dividends paid | (62,239) | (59,954) |
| Net proceeds from issuance of common stock | 145,125 | 40,366 |
| Common stock redemptions | (1,282) | (271) |
| Settlement of swaps | — | (1,684) |
| Debt issuance and assumption costs | (265) | (2,314) |
| Net cash provided by (used in) financing activities | 56,876 | (82,724) |
| Increase in cash and cash equivalents | 4,924 | 4,912 |
| Cash and cash equivalents, beginning of period | 4,102 | 3,519 |
| Cash and cash equivalents, end of period | \$ 9,026 | \$ 8,431 |
| Supplemental Cash Flow Information: | | |
| Interest paid | \$ 28,692 | \$ 40,533 |
| Invoices accrued for construction, tenant improvement and other capitalized costs | \$ 12,745 | \$ 4,960 |
| Mortgage notes payable assumed upon acquisition (adjusted to fair value) | \$ 13,951 | \$ 9,721 |
| Capitalized interest | \$ 452 | \$ 33 |

The accompanying notes, together with the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, are an integral part of these financial statements.

Notes to Condensed Consolidated Financial Statements**June 30, 2016****(Unaudited)****Note 1. Summary of Significant Accounting Policies****Business Overview**

Healthcare Realty Trust Incorporated (the "Company") is a real estate investment trust ("REIT") that integrates owning, managing, financing and developing income-producing real estate properties associated primarily with the delivery of outpatient healthcare services throughout the United States. As of June 30, 2016, the Company had investments of approximately \$3.4 billion in 202 real estate properties located in 30 states totaling approximately 14.5 million square feet. The Company provided leasing and property management services to approximately 10.0 million square feet nationwide.

Basis of Presentation

The Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. They do not include all of the information and footnotes required by GAAP for complete financial statements. However, except as disclosed herein, management believes there has been no material change in the information disclosed in the Notes to Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2015. All material intercompany transactions and balances have been eliminated in consolidation.

This interim financial information should be read in conjunction with the financial statements included in this report and in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. Management believes that all adjustments of a normal, recurring nature considered necessary for a fair presentation have been included. In addition, the interim financial information does not necessarily represent or indicate what the operating results will be for the year ending December 31, 2016 for many reasons including, but not limited to, acquisitions, dispositions, capital financing transactions, changes in interest rates and the effects of other trends, risks and uncertainties.

Use of Estimates in the Condensed Consolidated Financial Statements

Preparation of the Condensed Consolidated Financial Statements in accordance with GAAP requires management to make estimates and assumptions that affect amounts reported in the Condensed Consolidated Financial Statements and accompanying notes. Actual results may differ from those estimates.

New Accounting Pronouncements***Accounting Standards Update No. 2014-09 and No. 2015-14***

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers", a comprehensive new revenue recognition standard that supersedes most existing revenue recognition guidance, including sales of real estate. This standard's core principle is that a company will recognize revenue when it transfers goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods and services. However, leasing contracts, representing the major source of the Company's revenues, are not within the scope of the new standard and will continue to be accounted for under other standards.

In August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606); Deferral of the Effective Date." This standard is effective for the Company for annual and interim periods beginning after December 15, 2017 with early adoption permitted only as of annual reporting periods beginning after December 15, 2016, including interim periods within that year. The Company is currently evaluating the impact from the adoption of this new standard on the Consolidated Financial Statements and related notes.

Accounting Standards Update No. 2015-03

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs." This standard required debt issuance costs to be reported in the balance sheet as a direct reduction from the face amount of the note to which it is directly related. In August 2015, the FASB issued ASU No. 2015-15, "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements," which allowed entities to defer and present debt issuance costs related to line-of-credit arrangements as assets regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The Company adopted this standard as of January 1, 2016. As a result of the adoption all deferred

Notes to Condensed Consolidated Financial Statements - Continued

financing costs, excluding costs related to the unsecured revolving credit facility, were reclassified to Notes and bonds payable. Unsecured revolving credit facility costs remain classified as an asset and will continue to be amortized over the remaining term.

The guidance requires retrospective adoption for all prior periods presented. The following table represents the previously reported balances and reclassified balances for the impacted line items of the Consolidated Balance Sheets as of December 31, 2015 :

| (in thousands) | December 31, 2015 | |
|--|------------------------|-----------------|
| | As Previously Reported | As Reclassified |
| Other assets, net | \$ 192,918 | \$ 186,416 |
| Total assets | \$ 2,816,726 | \$ 2,810,224 |
| Notes and bonds payable | \$ 1,431,494 | \$ 1,424,992 |
| Total liabilities | \$ 1,573,979 | \$ 1,567,477 |
| Total liabilities and stockholders' equity | \$ 2,816,726 | \$ 2,810,224 |

Accounting Standards Update No. 2015-16

In September 2015, the FASB issued ASU No. 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments." This standard requires adjustments to provisional amounts that are identified during the measurement period after a business combination to be recognized in the reporting period in which the adjustment amounts are determined. The adjustments recognized in the current period include the effects on earnings of changes in depreciation, amortization, or other income effects as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The Company adopted this standard effective as of January 1, 2016. The adoption of this standard had no impact on the Company's consolidated financial position or cash flows.

Accounting Standards Update No. 2016-02

In February 2016, the FASB issued ASU No. 2016-02, "Leases." For lessees, the new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. For lessors, the new standard requires a lessor to classify leases as either sales-type, finance or operating. A lease will be treated as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as financing. If the lessor doesn't convey risks and rewards or control, an operating lease results.

The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessors for sales-type, direct financing, and operating existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact from the adoption of this new standard on the Consolidated Financial Statements and related notes.

Accounting Standards Update No. 2016-09

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation; Improvements to Employee Share-Based Payment Accounting." This update was issued as part of the simplification initiative. The areas of simplification relevant to the Company include the following:

- Forfeitures - an entity can make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur.
- Minimum statutory tax withholding requirements - the threshold to qualify for equity classification permits withholding up to the maximum statutory tax rates in the applicable jurisdiction.
- Classification of employee taxes paid on the Statement of Cash Flows when an employer withholds shares for tax-withholding purposes - cash paid by an employer when directly withholding shares for tax-withholding purposes should be classified as a financing activity.

Notes to Condensed Consolidated Financial Statements - Continued

This standard is effective for the Company for annual and interim periods beginning on January 1, 2017 with early adoption permitted. The Company adopted this standard effective January 1, 2016. There was no impact to the Company's Condensed Consolidated Financial Statements resulting from the adoption of this standard.

Note 2. Real Estate Investments

2016 Acquisitions

First Quarter

In March 2016, the Company acquired a 69,712 square foot medical office building in Seattle, Washington for a purchase price of \$38.3 million, including cash consideration of \$37.7 million and purchase price credits of \$0.6 million. In addition, the Company expensed \$1.6 million of acquisition costs related to seller credits for loan prepayment, brokerage commission and excise taxes. The property is adjacent to UW Medicine's Northwest Hospital and Medical Center campus, a 281 -bed general medical and surgical hospital. Upon acquisition, the building was 100% leased.

Second Quarter

In April 2016, the Company acquired a 46,637 square foot medical office building in Seattle, Washington for a purchase price of \$21.6 million. The transaction includes cash consideration of \$18.8 million, purchase price credits of \$1.5 million and capital obligations of \$1.3 million. The property is located on UW Medicine's Valley Medical Center campus, a 321 -bed general medical and surgical hospital. Upon acquisition, the building was 100% leased. This transaction was accounted for as an asset acquisition as the property was seller occupied.

In May 2016, the Company acquired a 63,012 square foot medical office building in Los Angeles, California for a purchase price of \$20.0 million, including purchase price credits of \$0.3 million, cash consideration of \$6.5 million, and the assumption of debt of \$13.2 million (excluding a \$0.8 million fair value premium recorded at acquisition). The mortgage note payable assumed by the Company bears a contractual interest rate of 4.77% and matures on January 6, 2024. The property is located on HCA's West Hills Hospital and Medical Center campus, a 225 -bed general medical and surgical hospital. Upon acquisition, the property was 80% leased.

The following table details the Company's acquisitions for the six months ended June 30, 2016 :

| <i>(Dollars in millions)</i> | Date Acquired | Purchase Price | Purchase Price Credits ⁽¹⁾ | Mortgage Notes Payable Assumed ⁽²⁾ | Cash Consideration ⁽³⁾ | Real Estate | Other ⁽⁴⁾ | Square Footage |
|---------------------------------|------------------|-------------------|--|---|--------------------------------------|----------------|----------------------|-------------------|
| Real estate acquisitions | | | | | | | | |
| Washington | 3/31/16 | \$ 38.3 | \$ (0.6) | \$ — | \$ 37.7 | \$ 37.7 | \$ — | 69,712 |
| Washington | 4/29/16 | 21.6 | (2.8) | — | 18.8 | 20.1 | (1.3) | 46,637 |
| California | 5/13/16 | 20.0 | (0.3) | (13.2) | 6.5 | 20.4 | (0.7) | 63,012 |
| | | <u>\$ 79.9</u> | <u>\$ (3.7)</u> | <u>\$ (13.2)</u> | <u>\$ 63.0</u> | <u>\$ 78.2</u> | <u>\$ (2.0)</u> | <u>179,361</u> |

(1) Includes tenant improvement and capital expenditure obligations as well as other assets acquired and liabilities assumed upon acquisition.

(2) The mortgage note payable assumed in the acquisition does not reflect the fair value adjustments totaling \$0.8 million recorded by the Company upon acquisition (included in Other).

(3) Cash consideration excludes proration of revenue and expense due to/from seller at the time of the acquisition.

(4) Includes assets acquired, liabilities assumed, intangibles recognized at acquisition and fair value adjustments on debt assumed.

Notes to Condensed Consolidated Financial Statements - Continued
Assets Held for Sale

At June 30, 2016 and December 31, 2015, the Company had one on-campus medical office building classified as held for sale. The table below reflects the assets and liabilities of the property classified as held for sale as of June 30, 2016 and December 31, 2015.

| | June 30, 2016 | December 31, 2015 |
|---|------------------|----------------------|
| <i>(Dollars in thousands)</i> | | |
| Balance Sheet data: | | |
| Land | \$ 422 | \$ 422 |
| Buildings, improvements and lease intangibles | 1,350 | 1,350 |
| | 1,772 | 1,772 |
| Accumulated depreciation | (1,070) | (1,070) |
| Assets held for sale, net | 702 | 702 |
| Other assets, net (including receivables) | 8 | 22 |
| Assets of discontinued operations, net | 8 | 22 |
| Assets held for sale and discontinued operations, net | \$ 710 | \$ 724 |
| Accounts payable and accrued liabilities | \$ 15 | \$ 28 |
| Other liabilities | 2 | 5 |
| Liabilities of discontinued operations | \$ 17 | \$ 33 |

Discontinued Operations

The following table represents the results of operations of the properties included in discontinued operations on the Company's Condensed Consolidated Statements of Income for the three and six months ended June 30, 2016 and 2015.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|--------|---------------------------|--------|
| | 2016 | 2015 | 2016 | 2015 |
| <i>(Dollars in thousands)</i> | | | | |
| Statements of Income data: | | | | |
| Revenues | | | | |
| Rental income | \$ — | \$ 348 | \$ — | \$ 690 |
| | — | 348 | — | 690 |
| Expenses | | | | |
| Property operating | 19 | 19 | 27 | 48 |
| Bad debts, net of recoveries | — | (1) | — | (1) |
| | 19 | 18 | 27 | 47 |
| Other Income (Expense) | | | | |
| Interest and other income, net | — | — | — | 20 |
| | — | — | — | 20 |
| Discontinued Operations | | | | |
| Income (Loss) from discontinued operations | (19) | 330 | (27) | 663 |
| Gain on sale of properties | 7 | — | 7 | — |
| Income (Loss) from Discontinued Operations | \$ (12) | \$ 330 | \$ (20) | \$ 663 |

Note 3. Notes and Bonds Payable

The table below details the Company's notes and bonds payable.

| (Dollars in thousands) | Maturity Dates | Balance as of | | Effective Interest Rate as of June 30, 2016 |
|--|----------------|---------------------|---------------------|---|
| | | June 30, 2016 | December 31, 2015 | |
| Unsecured Credit Facility | 4/17 | \$ 190,000 | \$ 206,000 | 1.61% |
| Unsecured Term Loan Facility, net of issuance costs | 2/19 | 199,374 | 199,257 | 1.66% |
| Senior Notes due 2021, net of discount and issuance costs | 1/21 | 396,816 | 396,489 | 5.97% |
| Senior Notes due 2023, net of discount and issuance costs | 4/23 | 247,096 | 246,897 | 3.95% |
| Senior Notes due 2025, net of discount and issuance costs | 5/25 | 247,709 | 247,602 | 4.08% |
| Mortgage notes payable, net of discounts and issuance costs and including premiums | 12/16-5/40 | 133,744 | 128,747 | 5.17% |
| | | <u>\$ 1,414,739</u> | <u>\$ 1,424,992</u> | |

2016 Activity

First Quarter

On January 5, 2016, the Company obtained a mortgage note payable of \$11.5 million bearing interest at a rate of 3.60% that encumbers a 90,607 square foot medical office building and garage located in California. The Company repaid in full the previous mortgage note payable bearing an interest rate of 5.49% with outstanding principal of \$11.4 million on December 31, 2015.

On February 11, 2016, the Company repaid in full a mortgage note payable bearing interest at a rate of 5.86% with outstanding principal of \$10.2 million. The mortgage note encumbered a 90,633 square foot medical office building located in North Carolina.

Second Quarter

On April 29, 2016, the Company repaid in full a mortgage note payable bearing interest at a rate of 5.99% with outstanding principal of \$7.3 million. The mortgage note encumbered a 42,957 square foot medical office building located in Virginia.

On May 13, 2016, upon acquisition of a 63,012 square foot medical office property in Los Angeles, California, the Company assumed a \$13.2 million mortgage note payable (excluding a fair value premium adjustment of \$0.8 million). The mortgage note payable has a contractual interest rate of 4.77% (effective rate of 4.13%).

Subsequent Activity

With proceeds of the equity offering that the Company completed on July 5, 2016, the Company repaid the outstanding balance of \$190.0 million on its unsecured credit facility due 2017 ("Unsecured Credit Facility"). In addition, the Company repaid \$50.0 million on its unsecured term loan facility due 2019 ("Unsecured Term Loan") leaving an outstanding balance of \$150.0 million with a weighted average interest rate of approximately 1.6%.

On July 29, 2016, the Company entered into an amendment to its Unsecured Credit Facility that extended the maturity date from April 2017 to July 2020, reduced the spread over LIBOR that the Company pays for borrowing, and revised financial covenants to provide the Company with increased flexibility. Amounts outstanding under the Unsecured Credit Facility bear interest at LIBOR plus an applicable margin rate. The margin rate, which depends on the Company's credit ratings, ranges from 0.83% to 1.55% (currently at 1.00%). In addition, the Company pays a facility fee per annum on the aggregate amount of commitments ranging from 0.13% to 0.30% (currently at 0.20%). In connection with the amendment, the Company paid upfront fees to the lenders and other costs of approximately \$4.4 million which will be amortized over the term of the Unsecured Credit Facility. As of August 3, 2016, the Company had no borrowings outstanding under the Unsecured Credit Facility and had a remaining borrowing capacity of \$700.0 million.

On July 29, 2016, the Company also entered into an amendment to the Unsecured Term Loan. This amendment was for the purpose of conforming the financial covenants in the Unsecured Term Loan to those in the amendment to the Unsecured Credit Facility. The amendment did not impact the maturity date or cost of borrowing under the Unsecured Term Loan.

Note 4. Derivative Financial Instruments

Risk Management Objective of Using Derivatives

In addition to operational risks which arise in the normal course of business, the Company is exposed to economic risks such as interest rate, liquidity, and credit risk. In certain situations, the Company may enter into derivative financial instruments such as interest rate swap and interest rate cap agreements to manage interest rate risk exposure arising from variable rate debt transactions that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's objective in using interest rate derivatives is to manage its exposure to interest rate movements on its variable rate debt.

Cash Flow Hedges of Interest Rate Risk

Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without changing the underlying notional amount.

As of June 30, 2016, the Company did not have any outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk.

The effective portion of changes in the fair value of derivatives designated as, and that qualify as, cash flow hedges is recorded in accumulated other comprehensive income or loss ("OCI") and is reclassified into earnings as interest expense in the period that the hedged forecasted transaction affects earnings. The effective portion of the Company's interest rate swaps that was recorded in the accompanying Condensed Consolidated Statements of Income for the three and six months ended June 30, 2016 and 2015 respectively, was as follows:

(Dollars in thousands)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|----------|---------------------------|------------|
| | 2016 | 2015 | 2016 | 2015 |
| Amount of gain (loss) recognized in OCI on derivative (effective portion) | \$ — | \$ (961) | \$ — | \$ (1,684) |
| Amount of gain (loss) reclassified from accumulated OCI into Interest Expense (effective portion) | \$ (42) | \$ (31) | \$ (84) | \$ (31) |
| Amount of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing) | \$ — | \$ 0 | \$ — | \$ 0 |

The Company estimates that an additional \$0.2 million will be reclassified from accumulated other comprehensive loss as an increase to interest expense over the next 12 months.

Note 5. Commitments and Contingencies

Legal Proceedings

The Company is, from time to time, involved in litigation arising in the ordinary course of business. The Company is not aware of any pending or threatened litigation that, if resolved against the Company, would have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Redevelopment Activity

The Company is in the process of redeveloping two medical office buildings in Tennessee, including a 70,000 square foot expansion. The Company spent approximately \$39.2 million on the redevelopment of these properties through June 30, 2016, including the acquisition of a land parcel for \$4.3 million on which the Company is building a parking garage. The total redevelopment budget for these properties is \$51.8 million. It is anticipated that the garage will be completed in the third quarter of 2016 and tenants will begin to take occupancy of the expansion in the first quarter of 2017.

Development Activity

In 2015, the Company began development of a 98,000 square foot medical office building in Colorado. The total development budget is \$26.5 million, of which \$3.0 million has been spent as of June 30, 2016. Construction is expected to be completed in the second quarter of 2017.

Completed Developments

The Company completed the redevelopment of a medical office building in Alabama, which included the construction of a parking garage. Construction of the garage was completed in the fourth quarter of 2015. The total redevelopment budget is

\$15.4 million , of which \$11.5 million has been spent as of June 30, 2016 . The remaining \$3.9 million budgeted for the project is primarily related to a tenant improvement allowance that is expected to be funded in 2016.

In December 2015, the Company began development of a 12,900 square foot retail center in Texas, which is adjacent to two of the Company's existing medical office buildings associated with Baylor Scott & White Health. Construction was completed on April 15, 2016 . The total development budget is \$5.6 million , of which \$4.8 million has been spent as of June 30, 2016 . These amounts include \$1.5 million used by the Company to purchase land in 2006 and previously recorded as land held for development. The project is 100% leased and the remaining \$0.8 million budgeted for the project is related to tenant build-out that is expected to be completed by the end of 2016.

The table below details the Company's construction activity as of June 30, 2016 . The information included in the table below represents management's estimates and expectations at June 30, 2016 , which are subject to change. The Company's disclosures regarding certain projections or estimates of completion dates may not reflect actual results.

| (Dollars in thousands) | Number of Properties | Estimated Completion Date | Balance at June 30, 2016 | | | Estimated Remaining Fundings | Estimated Total Investment | Approximate Square Feet |
|------------------------|----------------------|---------------------------|----------------------------------|----------------------|---------------------|------------------------------|----------------------------|-------------------------|
| | | | Construction in Progress Balance | Other Amounts Funded | Total Amount Funded | | | |
| Construction Activity | | | | | | | | |
| Nashville, TN | 2 | Q1 2017 | \$ 32,180 | \$ 7,050 | \$ 39,230 | \$ 12,570 | \$ 51,800 | 294,000 |
| Denver, CO | 1 | Q2 2017 | 2,994 | — | 2,994 | 23,506 | 26,500 | 98,000 |
| Total | | | \$ 35,174 | \$ 7,050 | \$ 42,224 | \$ 36,076 | \$ 78,300 | 392,000 |

Note 6. Stockholders' Equity

The following table provides a reconciliation of total stockholders' equity for the six months ended June 30, 2016 :

| <i>(Dollars in thousands, except per share data)</i> | Common Stock | Additional Paid-In Capital | Accumulated Other Comprehensive Loss | Cumulative Net Income Attributable to Common Stockholders | Cumulative Dividends | Total Stockholders' Equity |
|--|-----------------|----------------------------------|---|--|-------------------------|----------------------------------|
| Balance at December 31, 2015 | \$ 1,015 | \$ 2,461,376 | \$ (1,569) | \$ 909,685 | \$ (2,127,760) | \$ 1,242,747 |
| Issuance of common stock | 49 | 145,119 | — | — | — | 145,168 |
| Common stock redemptions | — | (410) | — | — | — | (410) |
| Stock-based compensation | 3 | 3,795 | — | — | — | 3,798 |
| Net income | — | — | — | 21,300 | — | 21,300 |
| Reclassification of loss on forward starting interest rate swaps | — | — | 84 | — | — | 84 |
| Dividends to common stockholders (\$0.60 per share) | — | — | — | — | (62,239) | (62,239) |
| Balance at June 30, 2016 | <u>\$ 1,067</u> | <u>\$ 2,609,880</u> | <u>\$ (1,485)</u> | <u>\$ 930,985</u> | <u>\$ (2,189,999)</u> | <u>\$ 1,350,448</u> |

Common Stock

The following table provides a reconciliation of the beginning and ending shares of common stock outstanding for the six months ended June 30, 2016 and the year ended December 31, 2015:

| | June 30, 2016 | December 31, 2015 |
|--|--------------------|--------------------|
| Balance, beginning of period | 101,517,009 | 98,828,098 |
| Issuance of common stock | 4,838,115 | 2,493,171 |
| Nonvested share-based awards, net of withheld shares | 307,138 | 195,740 |
| Balance, end of period | <u>106,662,262</u> | <u>101,517,009</u> |

At-The-Market Equity Offering Program

On February 19, 2016, the Company entered into sales agreements with five investment banks to allow sales under its at-the-market equity offering program of up to 10,000,000 shares of common stock. A previous sales agreement with one investment bank was terminated effective February 17, 2016. During the six months ended June 30, 2016, the Company sold a total of 4,795,601 shares of common stock, including 664,298 shares of common stock under the previous sales agreement. The sales generated \$144.6 million in net proceeds at prices ranging from \$28.31 to \$33.66 per share (weighted average of \$30.61 per share).

The Company has 5,868,697 authorized shares remaining available to be sold under the current sales agreements as of July 29, 2016.

Common Stock Dividends

During the six months ended June 30, 2016, the Company declared and paid common stock dividends totaling \$0.60 per share. On August 2, 2016, the Company declared a quarterly common stock dividend in the amount of \$0.30 per share payable on August 31, 2016 to stockholders of record on August 17, 2016.

Notes to Condensed Consolidated Financial Statements - Continued
Accumulated Other Comprehensive Income (Loss)

The following table represents the changes in balances of each component and the amounts reclassified out of accumulated other comprehensive income (loss) related to the Company during the six months ended June 30, 2016 and 2015 :

| | Forward-starting Interest Rate Swaps | | Defined Benefit Pension Plan | |
|--|--------------------------------------|------------|------------------------------|------------|
| | 2016 | 2015 | 2016 | 2015 |
| <i>(Dollars in thousands)</i> | | | | |
| Beginning balance | \$ (1,569) | \$ — | \$ — | \$ (2,519) |
| Other comprehensive income (loss) before reclassifications | — | (1,684) | — | — |
| Amounts reclassified from accumulated other comprehensive loss arising from loss on defined benefit pension plan | — | — | — | 2,519 |
| Amounts reclassified from accumulated other comprehensive loss | 84 | 31 | — | — |
| Net accumulated other comprehensive income (loss) | 84 | (1,653) | — | 2,519 |
| Ending balance | \$ (1,485) | \$ (1,653) | \$ — | \$ — |

Earnings Per Common Share

The following table sets forth the computation of basic and diluted earnings per common share for the three and six months ended June 30, 2016 and 2015 .

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|-------------|---------------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| <i>(Dollars in thousands, except per share data)</i> | | | | |
| Weighted average Common Shares outstanding | | | | |
| Weighted average Common Shares outstanding | 105,306,479 | 100,384,606 | 103,970,376 | 99,928,738 |
| Nonvested shares | (1,318,730) | (1,111,579) | (1,260,457) | (1,109,723) |
| Weighted average Common Shares outstanding—Basic | 103,987,749 | 99,273,027 | 102,709,919 | 98,819,015 |
| Weighted average Common Shares outstanding—Basic | 103,987,749 | 99,273,027 | 102,709,919 | 98,819,015 |
| Dilutive effect of restricted stock | 691,064 | 580,989 | 646,341 | 599,042 |
| Dilutive effect of employee stock purchase plan | 90,732 | 91,186 | 114,274 | 136,038 |
| Weighted average Common Shares outstanding—Diluted | 104,769,545 | 99,945,202 | 103,470,534 | 99,554,095 |
| Net Income (Loss) | | | | |
| Income from continuing operations | \$ 12,157 | \$ 17,586 | \$ 21,320 | \$ 22,635 |
| Discontinued operations | (12) | 330 | (20) | 663 |
| Net income | \$ 12,145 | \$ 17,916 | \$ 21,300 | \$ 23,298 |
| Basic Earnings Per Common Share | | | | |
| Income from continuing operations | \$ 0.12 | \$ 0.18 | \$ 0.21 | \$ 0.23 |
| Discontinued operations | 0.00 | 0.00 | 0.00 | 0.01 |
| Net income | \$ 0.12 | \$ 0.18 | \$ 0.21 | \$ 0.24 |
| Diluted Earnings Per Common Share | | | | |
| Income from continuing operations | \$ 0.12 | \$ 0.18 | \$ 0.21 | \$ 0.23 |
| Discontinued operations | 0.00 | 0.00 | 0.00 | 0.00 |
| Net income | \$ 0.12 | \$ 0.18 | \$ 0.21 | \$ 0.23 |

Notes to Condensed Consolidated Financial Statements - Continued
Incentive Plans

A summary of the activity under the stock-based incentive plans for the three and six months ended June 30, 2016 and 2015 is included in the table below.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|-----------|---------------------------|-----------|
| | 2016 | 2015 | 2016 | 2015 |
| Stock-based awards, beginning of period | 1,326,746 | 1,118,414 | 1,092,262 | 1,057,732 |
| Granted | 21,374 | 23,201 | 321,580 | 112,269 |
| Vested | (36,951) | (38,236) | (102,673) | (66,622) |
| Stock-based awards, end of period | 1,311,169 | 1,103,379 | 1,311,169 | 1,103,379 |

During the six months ended June 30, 2016 and 2015, the Company withheld 14,442 and 10,119 shares of common stock, respectively, from participants to pay estimated withholding taxes related to shares that vested.

In addition to the stock-based incentive plans, the Company maintains the 2000 Employee Stock Purchase Plan (the "Purchase Plan"). A summary of the activity under the Purchase Plan for the three and six months ended June 30, 2016 and 2015 is included in the table below.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|----------|---------------------------|-----------|
| | 2016 | 2015 | 2016 | 2015 |
| Outstanding and exercisable, beginning of period | 361,955 | 378,771 | 340,958 | 393,902 |
| Granted | — | — | 198,450 | 197,640 |
| Exercised | (10,839) | (2,885) | (37,528) | (35,931) |
| Forfeited | (6,208) | (10,667) | (13,890) | (31,446) |
| Expired | — | — | (143,082) | (158,946) |
| Outstanding and exercisable, end of period | 344,908 | 365,219 | 344,908 | 365,219 |

Subsequent Activity

On July 5, 2016, the Company issued 9,200,000 shares of common stock, par value \$0.01 per share, at \$33.13 per share in an underwritten public offering pursuant to the Company's existing effective registration statement. The net proceeds of the offering, after offering expenses, were approximately \$304.6 million. A portion of the proceeds were used to repay the \$190.0 million of borrowings outstanding under the Unsecured Credit Facility and to reduce the unsecured term loan due 2019 outstanding borrowings by \$50.0 million.

Note 7. Defined Benefit Pension Plan

Effective May 5, 2015, the Company terminated its Executive Retirement Plan and recorded a charge of approximately \$5.3 million, inclusive of the acceleration of \$2.5 million recorded in accumulated other comprehensive loss on the Company's Condensed Consolidated Balance Sheets that was being amortized resulting in a total benefit obligation of \$19.6 million in connection with the termination of the Executive Retirement Plan. The charge includes amounts resulting from assumed additional years of service for two plan participants who have not reached age 65 and payments associated with FICA and other tax obligations.

On May 6, 2016, the Company paid the total benefit obligation of \$19.6 million which reduced Other liabilities on the Company's Condensed Consolidated Balance Sheets.

The Company's chairman and chief executive officer, Mr. David Emery, is the only named executive officer that was a participant under the plan. As a result of the termination of the plan, and included in the payment of the total benefit obligation, Mr. Emery received a lump sum amount equal to his accrued benefit under the plan of approximately \$14.4 million in May 2016.

The preceding summary is qualified in its entirety by the full text of the Second Amendment to the Second Amended and Restated Executive Retirement Plan (the "Termination Amendment") and, in the event of any discrepancy, the text of the Termination Amendment shall control.

Net periodic benefit cost recorded related to the Company's pension plan for the three and six months ended June 30, 2016 and 2015 is detailed in the following table.

| (Dollars in thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|--------|---------------------------|--------|
| | 2016 | 2015 | 2016 | 2015 |
| Service cost | \$ — | \$ 8 | \$ — | \$ 29 |
| Interest cost | — | 56 | — | 225 |
| Amortization of net loss | — | (50) | — | (198) |
| Amortization of prior service cost | — | 86 | — | 343 |
| Total recognized in net periodic benefit cost | \$ — | \$ 100 | \$ — | \$ 399 |

Note 8. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practical to estimate that value.

Cash and cash equivalents - The carrying amount approximates fair value.

Borrowings under the unsecured credit facility due 2017 and unsecured term loan due 2019 - The carrying amount approximates fair value because the borrowings are based on variable market interest rates.

Senior unsecured notes payable - The fair value of notes and bonds payable is estimated using cash flow analyses, based on the Company's current interest rates for similar types of borrowing arrangements.

Mortgage notes payable - The fair value is estimated using cash flow analyses, based on the Company's current interest rates for similar types of borrowing arrangements.

The table below details the fair values and carrying values for notes and bonds payable at June 30, 2016 and December 31, 2015 .

| (Dollars in millions) | June 30, 2016 | | December 31, 2015 | |
|--|----------------|------------|-------------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Notes and bonds payable ⁽¹⁾ | \$ 1,414.7 | \$ 1,469.7 | \$ 1,425.0 | \$ 1,439.0 |

(1) Level 3 - Fair value derived from valuation techniques in which one or more significant inputs or significant value drivers is unobservable.

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

Disclosure Regarding Forward-Looking Statements

This report and other materials the Company has filed or may file with the Securities and Exchange Commission, as well as information included in oral statements or other written statements made, or to be made, by management of the Company, contain, or will contain, disclosures that are "forward-looking statements." Forward-looking statements include all statements that do not relate solely to historical or current facts and can be identified by the use of words such as "may," "will," "expect," "believe," "anticipate," "target," "intend," "plan," "estimate," "project," "continue," "should," "could," "budget" and other comparable terms. These forward-looking statements are based on the current plans and expectations of management and are subject to a number of risks and uncertainties, including the risks described in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, that could significantly affect the Company's current plans and expectations and future financial condition and results.

The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Stockholders and investors are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in the Company's filings and reports, including, without limitation, estimates and projections regarding the performance of development projects the Company is pursuing.

For a detailed discussion of the Company's risk factors, please refer to the Company's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2015.

The purpose of this Management's Discussion and Analysis ("MD&A") is to provide an understanding of the Company's consolidated financial condition, results of operations and cash flows by focusing on the changes in certain key measures from year to year. MD&A is provided as a supplement to, and should be read in conjunction with, the Company's Condensed Consolidated Financial Statements and accompanying notes. MD&A is organized in the following sections:

- *Liquidity and Capital Resources*
- *Trends and Matters Impacting Operating Results*
- *Results of Operations*

Liquidity and Capital Resources

Sources and Uses of Cash

The Company's primary sources of cash include rent and interest receipts from its real estate portfolio based on contractual arrangements with its tenants, sponsors and borrowers, borrowings under the Company's Unsecured Credit Facility, proceeds from the sales of real estate properties, the repayment of mortgage notes receivable, and proceeds from public or private debt or equity offerings.

The Company expects to continue to meet its liquidity needs, including funding additional investments, paying dividends, and funding debt service through cash on hand, cash flows from operations, and the cash flow sources described above. The Company had unencumbered real estate assets with a gross book value of approximately \$3.2 billion at June 30, 2016, of which a portion could serve as collateral for secured mortgage financing. The Company believes that its liquidity and sources of capital are adequate to satisfy its cash requirements. The Company cannot, however, be certain that these sources of funds will be available at a time and upon terms acceptable to the Company in sufficient amounts to meet its liquidity needs.

Dividends paid by the Company for the six months ended June 30, 2016 were funded from cash flows from operations and the Unsecured Credit Facility, as cash flows from operations were not adequate to fully fund dividends paid at the rate per quarter of \$0.30 per common share. The shortfall is partially the result of the \$19.6 million payment in May 2016 of the pension benefit obligation in connection with the termination of the Executive Retirement Plan. See Note 7 to the Condensed Consolidated Financial Statements for more information. The Company expects that additional cash flows from existing properties, acquisitions and continued lease-up of the development conversion properties will generate sufficient cash flows from operations such that dividends for the full year 2016 will be funded by cash flows from operations.

Investing Activities

Cash flows used in investing activities for the six months ended June 30, 2016 were approximately \$111.4 million. Below is a summary of the significant investing activities.

- The Company acquired three medical office buildings during the six months ended June 30, 2016 for a total purchase price of \$79.9 million, including cash consideration of \$63.0 million, the assumption of mortgage notes payable of \$13.2 million and purchase price adjustments totaling \$3.7 million. Two of these properties are located on a hospital campus and one is adjacent (meaning 0.25 miles or less from the hospital campus) to a hospital campus.

- The Company funded approximately \$25.3 million at its development and redevelopment properties.
- Tenant improvement fundings at the Company's owned properties totaled \$16.1 million, including \$5.1 million of first generation tenant improvements.
- Capital addition fundings at the Company's owned properties totaled \$8.2 million.

Financing Activities

Activities for the six months ended June 30, 2016 were approximately \$56.9 million . Inflows from accessing the debt and equity markets totaled \$ 156.6 million , net of issuance costs incurred. Aggregate cash outflows totaled approximately \$99.7 million primarily associated with dividends paid to common stockholders and repayments of indebtedness. See Notes 3, 4 and 6 to the Condensed Consolidated Financial Statements for more information about capital markets and financing activities.

Changes in Debt Structure

On January 5, 2016, the Company obtained a new mortgage note payable of \$11.5 million bearing interest at a rate of 3.60% that encumbers a 90,607 square foot medical office building and garage located in California. The Company repaid in full the previous mortgage note payable bearing an interest rate of 5.49% with outstanding principal of \$11.4 million on December 31, 2015.

On February 11, 2016, the Company repaid in full a mortgage note payable bearing interest at a rate of 5.86% with outstanding principal of \$10.2 million . The mortgage note encumbered a 90,633 square foot medical office building located in North Carolina.

On April 29, 2016, the Company repaid in full a mortgage note payable bearing interest at a rate of 5.99% with outstanding principal of \$7.3 million . The mortgage note encumbered a 42,957 square foot medical office building located in Virginia.

On May 13, 2016, upon acquisition of a 63,012 square foot medical office property in Los Angeles, California, the Company assumed a \$13.2 million mortgage note payable (excluding a fair value premium adjustment of \$0.8 million). The mortgage note payable has a contractual interest rate of 4.77% (effective rate of 4.13%).

Subsequent Activity

With proceeds of the equity offering that the Company completed on July 5, 2016, the Company repaid the outstanding balance of \$190.0 million on its Unsecured Credit Facility. In addition, the Company repaid \$50.0 million on its Unsecured Term Loan leaving an outstanding balance of \$150.0 million with a weighted average interest rate of approximately 1.6% .

On July 29, 2016 , the Company entered into an amendment to its Unsecured Credit Facility that extended the maturity date from April 2017 to July 2020 , reduced the spread over LIBOR that the Company pays for borrowing, and revised financial covenants to provide the Company with increased flexibility. Amounts outstanding under the Unsecured Credit Facility bear interest at LIBOR plus an applicable margin rate. The margin rate, which depends on the Company's credit ratings, ranges from 0.83% to 1.55% (currently at 1.00%). In addition, the Company pays a facility fee per annum on the aggregate amount of commitments ranging from 0.13% to 0.30% (currently at 0.20%). In connection with the amendment, the Company paid upfront fees to the lenders and other costs of approximately \$4.4 million which will be amortized over the term of the Unsecured Credit Facility. As of August 3, 2016, the Company had no borrowings outstanding under the Unsecured Credit Facility and had a remaining borrowing capacity of the \$700.0 million .

On July 29, 2016, the Company also entered into an amendment to the Unsecured Term Loan. This amendment was for the purpose of conforming the financial covenants in the Unsecured Term Loan to those in the amendment to the Unsecured Credit Facility. The amendment did not impact the maturity date or cost of borrowing under the Unsecured Term Loan.

The Company expects to repay two additional mortgage notes payable totaling \$15.9 million with a weighted average interest rate of 6.03% during 2016 including:

- a mortgage note payable bearing interest at a rate of 6.01% with outstanding principal of \$15.7 million expected to be repaid on September 1, 2016. The mortgage encumbers a 70,623 square foot medical office building located in Washington.
- a mortgage note payable bearing interest at a rate of 7.63% with outstanding principal of \$0.2 million expected to be repaid on December 1, 2016. The mortgage note encumbers a 45,274 square foot medical office building located in Tennessee.

Common Stock Issuances

On February 19, 2016, the Company entered into sales agreements with five investment banks to allow sales under its at-the-market equity offering program of up to 10,000,000 shares of common stock. A previous sales agreement with one investment bank was terminated effective February 17, 2016. During the six months ended June 30, 2016, the Company sold a total of 4,795,601 shares of common stock, including 664,298 shares of common stock under the previous sales agreement. The sales generated \$144.6 million in net proceeds at prices ranging from \$28.31 to \$33.66 per share (weighted average of \$30.61 per share).

The Company has 5,868,697 authorized shares remaining available to be sold under the current sales agreements as of July 29, 2016.

Subsequent Activity

On July 5, 2016, the Company issued 9,200,000 shares of common stock, par value \$0.01 per share, at \$33.13 per share in an underwritten public offering pursuant to the Company's existing effective registration statement. The net proceeds of the offering, after offering expenses, were approximately \$304.6 million. A portion of the proceeds were used to repay the \$190.0 million of borrowings outstanding under the Unsecured Credit Facility and to reduce the unsecured term loan due 2019 outstanding borrowings by \$50.0 million.

Operating Activities

Cash flows provided by operating activities decreased from \$67.8 million for the six months ended June 30, 2015 to \$59.5 million for the six months ended June 30, 2016. This decrease includes the \$19.6 million payment of the pension benefit obligation in connection with the termination of the Executive Retirement Plan. See Note 7 to the Condensed Consolidated Financial Statements for more information. Other items impact cash flows from operations including, but not limited to, cash generated from property operations, interest payments and the timing related to the payment of invoices and other expenses and receipts of tenant rent.

The Company may from time to time sell additional properties and redeploy cash from property sales and mortgage repayments into new investments. To the extent revenues related to the properties being sold and the mortgages being repaid exceed income from these new investments, the Company's results of operations and cash flows could be adversely affected.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that are reasonably likely to have a current or future material effect on the Company's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

New Accounting Pronouncements

See Note 1 to the Company's Condensed Consolidated Financial Statements accompanying this report for information on new accounting standards.

Trends and Matters Impacting Operating Results

Management monitors factors and trends important to the Company and the REIT industry to gauge the potential impact on the operations of the Company. In addition to the matters discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, below are some of the factors and trends that management believes may impact future operations of the Company.

Expiring Leases

The Company expects that approximately 15% to 20% of the leases in its multi-tenanted portfolio will expire each year in the ordinary course of business. There are 447 leases totaling 1.4 million square feet in the Company's multi-tenant portfolio that have expired or will expire during 2016. Approximately 90% of the leases expiring in 2016 are located in buildings on or adjacent to hospital campuses, are distributed throughout the portfolio, and are not concentrated with any one tenant, health system or market area. The Company typically expects to retain 75% to 90% of multi-tenant property tenants upon expiration, and the retention ratio for the first six months of the year has been within this range.

Two single-tenant net leases were set to expire in April 2016 and were extended to May 2016. One of these leases remains in holdover status until the terms of the new lease agreement are finalized. The tenant for the other lease vacated and a new tenant occupied the building. The Company expects these new lease agreements to result in a decrease in rental income of approximately \$0.5 million in 2016, of which \$0.1 million was realized in the second quarter of 2016 and \$0.2 million is expected to be realized in each of the third and fourth quarters of 2016.

Property Operating Agreement Expirations

Five of the Company's owned real estate properties as of December 31, 2015 were covered under property operating agreements between the Company and a sponsoring health system. These agreements contractually obligate the sponsoring health system to provide to the Company a minimum return on the Company's investment in the property in exchange for the right to be involved in the operating decisions of the property, including tenancy. If the minimum return is not achieved through normal operations of the property, the Company calculates and accrues to property lease guaranty revenue any shortfalls due from the sponsoring health systems under the terms of the property operating agreement. Three of these agreements will expire in 2016. One agreement expired in April 2016 resulting in a decrease of \$0.1 million per quarter in property lease guaranty revenue. Two agreements will expire in September 2016 resulting in an expected decrease of \$0.5 million per quarter in property lease guaranty revenue. The remaining two agreements will expire in January 2017 and February 2019, respectively, and each is expected to decrease property lease guaranty revenue by \$0.2 million per quarter.

Operating Expenses

The Company has historically experienced increases in property taxes throughout its portfolio as a result of increasing assessments and tax rates levied across the country. The Company continues its efforts to appeal property tax increases and manage the impact of the increases. In addition, the Company has historically incurred variability in portfolio utilities expense based on seasonality with the first and third quarters usually reflecting greater amounts. The effects of these operating expense increases are mitigated in leases that have provisions for operating expense reimbursement. As of June 30, 2016, leases for 83% of the Company's multi-tenant leased square footage allow for some recovery of operating expenses, with 53% recovering all allowable expenses.

Purchase Options

In July 2016, the Company received notice from the ground lessor of a medical office building in Kansas City, Kansas of its intent to purchase the property pursuant to a purchase option contained in the ground lease. The Company's net investment in the building is \$7.4 million at June 30, 2016, including straight-line rent receivables. The purchase price for the property will be approximately \$14.9 million which is equivalent to the Company's gross investment in the property. The Company expects the sale to occur early in the fourth quarter of 2016.

Additional information about the Company's unexercised purchase options and the amount and basis for determination of the purchase price is detailed in the table below (dollars in thousands):

| Year Exercisable | Gross Real Estate Investment as of June 30, 2016 | | |
|---------------------|--|----------------------------------|-------------------|
| | Fair Market Value Method (1) | Non Fair Market Value Method (2) | Total |
| Current | \$ 130,455 | \$ — | \$ 130,455 |
| Remainder of 2016 | — | — | — |
| 2017 | — | 48,773 | 48,773 |
| 2018 | — | — | — |
| 2019 | 41,521 | — | 41,521 |
| 2020 | — | — | — |
| 2021 | 16,578 | 14,984 | 31,562 |
| 2022 | 19,356 | — | 19,356 |
| 2023 | — | — | — |
| 2024 | 16,012 | — | 16,012 |
| 2025 | 18,863 | 221,929 | 240,792 |
| 2026 and thereafter | 48,474 | — | 48,474 |
| Total | \$ 291,259 | \$ 285,686 | \$ 576,945 |

(1) The purchase option price includes a fair market value component that is determined by an appraisal process.

(2) Includes properties with stated purchase prices or prices based on fixed capitalization rates. These properties have purchase prices that are on average 13% greater than the Company's current gross investment.

Non-GAAP Financial Measures

Management believes that net income, as defined by GAAP, is the most appropriate earnings measurement. However, management considers certain non-GAAP financial measures to be useful supplemental measures of the Company's operating performance. A non-GAAP financial measure is generally defined as one that purports to measure historical or future financial performance, financial position or cash flows, but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure. Set forth below are descriptions of the non-GAAP financial measures management considers

relevant to the Company's business and useful to investors, as well as reconciliations of these measures to the most directly comparable GAAP financial measures.

The non-GAAP financial measures presented herein are not necessarily identical to those presented by other real estate companies due to the fact that not all real estate companies use the same definitions. These measures should not be considered as alternatives to net income (determined in accordance with GAAP), as indicators of the Company's financial performance, or as alternatives to cash flow from operating activities (determined in accordance with GAAP) as measures of the Company's liquidity, nor are these measures necessarily indicative of sufficient cash flow to fund all of the Company's needs. Management believes that in order to facilitate a clear understanding of the Company's consolidated historical operating results, these measures should be examined in conjunction with net income as presented in the Condensed Consolidated Financial Statements and other financial data included elsewhere in this report.

Funds from Operations

Funds from operations ("FFO") and FFO per share are operating performance measures adopted by the National Association of Real Estate Investment Trusts ("NAREIT"). NAREIT defines FFO as the most commonly accepted and reported measure of a REIT's operating performance equal to "net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus depreciation and amortization related to real estate properties, leasing commission amortization and after adjustments for unconsolidated partnerships and joint ventures." The Company follows the NAREIT definition in calculating and presenting FFO and FFO per share.

Management believes FFO and FFO per share to be supplemental measures of a REIT's performance because they provide an understanding of the operating performance of the Company's properties without giving effect to certain significant non-cash items, primarily depreciation and amortization expense. Historical cost accounting for real estate assets in accordance with GAAP assumes that the value of real estate assets diminishes predictably over time. However, real estate values instead have historically risen or fallen with market conditions. The Company believes that by excluding the effect of depreciation, amortization and gains or losses from sales of real estate, all of which are based on historical costs and which may be of limited relevance in evaluating current performance, FFO and FFO per share can facilitate comparisons of operating performance between periods. The Company reports FFO and FFO per share because these measures are observed by management to also be the predominant measures used by the REIT industry and by industry analysts to evaluate REITs and because FFO per share is consistently reported, discussed, and compared by research analysts in their notes and publications about REITs. For these reasons, management has deemed it appropriate to disclose and discuss FFO and FFO per share. However, FFO does not represent cash generated from operating activities determined in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs. FFO should not be considered as an alternative to net income attributable to common stockholders as an indicator of the Company's operating performance or as an alternative to cash flow from operating activities as a measure of liquidity.

FFO for the three and six months ended June 30, 2016 compared to the same periods in 2015 was primarily impacted by the various acquisitions and dispositions during the period, the effects of capital market transactions and the results of operations of the portfolio from period to period. FFO for the three and six months ended June 30, 2015 was negatively impacted by \$28.0 million, or \$0.28 per common share, as a result of the extinguishment of debt and \$5.3 million, or \$0.05 per common share, as a result of the termination of the Executive Retirement Plan.

The table below reconciles net income to FFO for the three and six months ended June 30, 2016 and 2015 :

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|-----------|---------------------------|-----------|
| | 2016 | 2015 | 2016 | 2015 |
| <i>(Amounts in thousands, except per share data)</i> | | | | |
| Net Income | \$ 12,145 | \$ 17,916 | \$ 21,300 | \$ 23,298 |
| Gain on sales of properties | (8) | (41,549) | (8) | (41,549) |
| Impairments of real estate assets | — | — | — | 3,328 |
| Real estate depreciation and amortization ⁽¹⁾ | 31,716 | 29,388 | 62,517 | 58,759 |
| Total adjustments | 31,708 | (12,161) | 62,509 | 20,538 |
| Funds from Operations | \$ 43,853 | \$ 5,755 | \$ 83,809 | \$ 43,836 |
| Funds from Operations per Common Share—Basic | \$ 0.42 | \$ 0.06 | \$ 0.82 | \$ 0.44 |
| Funds from Operations per Common Share—Diluted | \$ 0.42 | \$ 0.06 | \$ 0.81 | \$ 0.44 |
| Weighted Average Common Shares Outstanding—Basic | 103,988 | 99,273 | 102,710 | 98,819 |
| Weighted Average Common Shares Outstanding—Diluted | 104,770 | 99,945 | 103,471 | 99,554 |

(1) During the third quarter of 2015, the Company began including an add-back for leasing commission amortization in order to provide a better basis for comparing its results of operations with those of others in the industry, consistent with the NAREIT definition of FFO. For the six and twelve months ended June 30, 2015, FFO per diluted common share was previously reported as \$0.05 and \$0.42, respectively.

Same Store Net Operating Income

Net operating income ("NOI") and same store NOI are non-GAAP historical financial measures of performance. Management considers same store NOI a supplemental measure because it allows investors, analysts and Company management to measure unlevered property-level operating results. The Company defines NOI as operating revenues (property operating revenue, single-tenant net lease revenue, and property lease guaranty revenue) less property operating expenses related specifically to the property portfolio. NOI excludes straight-line rent, general and administrative expenses, interest expense, depreciation and amortization, gains and losses from property sales, property management fees and other revenues and expenses not specifically related to the property portfolio. Same store NOI is historical and not necessarily indicative of future results.

The following table reflects the Company's same store NOI for the three months ended June 30, 2016 and 2015 .

| (Dollars in thousands) | Number of Properties | Investment at June 30, 2016 | Same Store NOI for the | |
|------------------------------------|----------------------|--------------------------------|-----------------------------|-----------|
| | | | Three Months Ended June 30, | |
| | | | 2016 | 2015 |
| Multi-tenant Properties | 135 | \$ 2,284,072 | \$ 42,362 | \$ 40,095 |
| Single-tenant Net Lease Properties | 34 | 673,865 | 16,068 | 15,949 |
| Total | 169 | \$ 2,957,937 | \$ 58,430 | \$ 56,044 |

Properties included in the same store analysis are stabilized properties that have been included in operations and were consistently reported as leased and stabilized properties for the duration of the year-over-year comparison period presented. Accordingly, properties that were recently acquired or disposed of, properties classified as held for sale, and properties in stabilization or conversion from stabilization are excluded from the same store analysis. In addition, the Company excludes properties that meet any of the following Company-defined criteria to be included in the reposition property group:

- Properties having less than 60% occupancy and expected to last at least two quarters;
- Properties that experience a loss of occupancy over 30% in a single quarter;
- Properties with negative net operating income and expected to last at least two quarters; or
- Condemnation.

Any recently acquired property will be included in the same store pool once the Company has owned the property for eight full quarters. Development properties will be included in the same store pool eight full quarters after substantial completion. Properties included in the reposition property group will be included in the same store analysis once occupancy has increased to 60% or greater with positive net operating income and has remained at that level for eight full quarters.

The following tables reconcile net income to same store NOI and the same store property count to the total owned real estate portfolio:

Reconciliation of Same Store NOI:

| (Dollars in thousands) | Three Months Ended June 30, | |
|---|-----------------------------|-----------|
| | 2016 | 2015 |
| Net income | \$ 12,145 | \$ 17,916 |
| Loss (income) from discontinued operations | 12 | (330) |
| Income from continuing operations | 12,157 | 17,586 |
| General and administrative | 8,129 | 6,713 |
| Depreciation | 28,528 | 26,552 |
| Amortization | 2,762 | 2,474 |
| Bad debts, net of recoveries | 78 | 27 |
| Gain on sales of real estate properties | (1) | (41,549) |
| Interest expense | 14,815 | 17,213 |
| Loss on extinguishment of debt | — | 27,998 |
| Pension termination | 4 | 5,260 |
| Impairment of internally-developed software | — | 654 |
| Interest and other income, net | (93) | (147) |
| Mortgage interest | — | (31) |
| Straight-line rent (component of Rental income) | (2,091) | (2,475) |
| Other operating (a) | (285) | (290) |
| NOI | 64,003 | 59,985 |
| NOI not included in same store | (5,573) | (3,941) |
| Same store NOI | \$ 58,430 | \$ 56,044 |
| (a) Other operating income reconciliation | | |
| Other operating | \$ 1,170 | \$ 1,227 |
| Less: Rental lease guaranty income | (885) | (937) |
| | \$ 285 | \$ 290 |

Reconciliation of Same Store Property Count:

| | Property Count as of June 30, 2016 |
|------------------------------------|---------------------------------------|
| Same Store Properties | 169 |
| Acquisitions | 15 |
| Development Conversion | 1 |
| Reposition | 17 |
| Total Owned Real Estate Properties | 202 |

Results of Operations

Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

The Company's results of operations for the three months ended June 30, 2016 compared to the same period in 2015 were significantly impacted by acquisitions, dispositions, impairments recorded, and capital markets transactions.

Revenues

Rental income increased \$6.0 million , or 6.3% , to approximately \$101.5 million for the three months ended June 30, 2016 compared to \$95.5 million in the prior year period and is comprised of the following:

| | Three Months Ended June 30, | | Change | |
|-------------------------|-----------------------------|-----------|----------|---------|
| | 2016 | 2015 | \$ | % |
| (Dollars in thousands) | | | | |
| Property operating | \$ 83,283 | \$ 75,470 | \$ 7,813 | 10.4 % |
| Single-tenant net lease | 16,098 | 17,505 | (1,407) | (8.0)% |
| Straight-line rent | 2,091 | 2,475 | (384) | (15.5)% |
| Total rental income | \$ 101,472 | \$ 95,450 | \$ 6,022 | 6.3 % |

Property operating income increased \$7.8 million , or 10.4% , from the prior year period primarily as a result of the following activity:

- Acquisitions in 2015 and 2016 contributed \$4.7 million.
- Leasing activity including contractual rent increases contributed \$3.8 million.
- Dispositions in 2015 caused a decrease of \$0.7 million

Single-tenant net lease revenue decreased \$1.4 million , or 8.0% , from the prior year period primarily as a result of the following activity:

- Dispositions in 2015 caused a decrease of \$1.5 million.
- Leasing activity including contractual rent increases contributed \$0.1 million.

Straight-line rent decreased \$0.4 million , or 15.5% , from the prior year period primarily as a result of the following activity:

- Net leasing activity including contractual rent increases and the effects of prior year rent abatements that expired resulted in a decrease of \$0.6 million.
- Dispositions in 2015 caused a decrease of \$0.2 million.
- Acquisitions in 2015 and 2016 caused an increase of \$0.4 million.

Expenses

Property operating expenses increased \$2.3 million , or 6.9% , for the three months ended June 30, 2016 compared to the prior year period primarily as a result of the following activity:

- Acquisitions in 2015 and 2016 caused an increase of \$1.8 million.
- The Company experienced increases in portfolio property tax of approximately \$0.7 million, leasing commission amortization of approximately \$0.2 million, and compensation-related expenses of approximately \$0.2 million.
- Dispositions in 2015 caused a decrease of \$0.6 million.

General and administrative expenses increased approximately \$1.4 million , or 21.1% , for the three months ended June 30, 2016 compared to the prior year period primarily as a result of the following activity:

- Increase in performance-based compensation expense of \$0.9 million.
- Increase in payroll compensation of \$0.2 million.

- Increase in professional fees and other administrative costs of \$0.3 million.

Depreciation expense increased \$2.0 million , or 7.4% , for the three months ended June 30, 2016 compared to the prior year period primarily as a result of the following activity:

- Acquisitions in 2015 and 2016 caused an increase of \$1.5 million.
- Various building and tenant improvement expenditures caused an increase of \$1.7 million.
- Dispositions in 2015 caused a decrease of \$0.9 million.
- Assets becoming fully depreciated caused a decrease of \$0.3 million.

Other income (expense)

In 2015, the Company recorded gains of approximately \$41.5 million on the sale of three properties.

Interest expense decreased \$2.4 million for the three months ended June 30, 2016 compared to the prior year period. The components of interest expense are as follows:

| | Three Months Ended June 30, | | Change | |
|---------------------------------------|-----------------------------|------------------|-------------------|----------------|
| | 2016 | 2015 | \$ | % |
| (Dollars in thousands) | | | | |
| Contractual interest | \$ 14,355 | \$ 16,289 | \$ (1,934) | (11.9)% |
| Net discount/premium accretion | (31) | 123 | (154) | (125.2)% |
| Deferred financing costs amortization | 722 | 803 | (81) | (10.1)% |
| Interest rate swap amortization | 42 | 31 | 11 | 35.5 % |
| Interest cost capitalization | (273) | (33) | (240) | 727.3 % |
| Total interest expense | <u>\$ 14,815</u> | <u>\$ 17,213</u> | <u>\$ (2,398)</u> | <u>(13.9)%</u> |

Contractual interest expense decreased \$1.9 million primarily due to the following activity:

- The redemption of the unsecured senior notes due 2017 resulted in a decrease in interest expense of approximately \$2.4 million .
- Mortgage notes payable repayments resulted in a decrease in interest expense of approximately \$0.2 million .
- The issuance of the unsecured senior notes due 2025 caused an increase in interest expense of approximately \$0.6 million .

Loss on extinguishment of debt of approximately \$28.0 million is associated with the 2015 redemption of the Senior Notes due 2017.

Pension termination of approximately \$5.3 million represents the effect of the Company's termination of the Executive Retirement Plan in 2015. See Note 7 to the Condensed Consolidated Financial Statements for more information.

The Company recognized an impairment of internally-developed software of approximately \$0.7 million in 2015, which was abandoned for a third party program that was previously unavailable.

Discontinued Operations

Results from discontinued operations for the three months ended June 30, 2015 included income of \$0.3 million primarily related to one property classified as held for sale at December 31, 2014 that was subsequently sold.

Results of Operations

Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

The Company's results of operations for the six months ended June 30, 2016 compared to the same period in 2015 were significantly impacted by acquisitions, dispositions, impairments recorded, and capital markets transactions.

Revenues

Rental income increased \$9.7 million , or 5.1% , to approximately \$200.2 million for the six months ended June 30, 2016 compared to \$190.5 million in the prior year period and is comprised of the following:

| | Six Months Ended June 30, | | Change | |
|-------------------------|---------------------------|------------|-----------|---------|
| | 2016 | 2015 | \$ | % |
| (Dollars in thousands) | | | | |
| Property operating | \$ 163,785 | \$ 150,124 | \$ 13,661 | 9.1 % |
| Single-tenant net lease | 32,204 | 35,053 | (2,849) | (8.1)% |
| Straight-line rent | 4,223 | 5,307 | (1,084) | (20.4)% |
| Total rental income | \$ 200,212 | \$ 190,484 | \$ 9,728 | 5.1 % |

Property operating income increased \$13.7 million , or 9.1% , from the prior year period primarily as a result of the following activity:

- Acquisitions in 2015 and 2016 contributed \$8.2 million.
- Leasing activity including contractual rent increases contributed \$7.0 million.
- Dispositions in 2015 caused a decrease of \$1.5 million.

Single-tenant net lease revenue decreased \$2.8 million , or 8.1% , from the prior year period primarily as a result of the following activity:

- Dispositions in 2015 caused a decrease of \$3.1 million.
- Leasing activity including contractual rent increases contributed \$0.3 million.

Straight-line rent decreased \$1.1 million , or 20.4% , from the prior year period primarily as a result of the following activity:

- Net leasing activity including contractual rent increases and the effects of prior year rent abatements that expired resulted in a decrease of \$1.4 million.
- Dispositions in 2015 caused a decrease of \$0.3 million.
- Acquisitions in 2015 and 2016 caused an increase of \$0.6 million.

Expenses

Property operating expenses increased \$3.5 million , or 5.1% , for the six months ended June 30, 2016 compared to the prior year period primarily as a result of the following activity:

- Acquisitions in 2015 and 2016 caused an increase of \$3.3 million.
- The Company experienced increases in portfolio property tax of approximately \$1.1 million, maintenance repair expense of approximately \$0.6 million, compensation-related expenses of approximately \$0.2 million, and leasing commission amortization of \$0.4 million.
- The Company experienced overall decreases in utilities of approximately \$0.8 million.
- Dispositions in 2015 caused a decrease of \$1.4 million.

General and administrative expenses increased approximately \$4.9 million , or 36.6% , for the six months ended June 30, 2016 compared to the prior year period primarily as a result of the following activity:

- Increase in performance-based compensation expense of \$2.4 million.
- Increase in payroll expense of \$0.5 million.
- Increase in expenses related to potential acquisitions and developments of \$2.0 million.

Depreciation expense increased \$3.3 million , or 6.2% , for the six months ended June 30, 2016 compared to the prior year period primarily as a result of the following activity:

- Acquisitions in 2015 and 2016 caused an increase of \$2.5 million.
- Various building and tenant improvement expenditures caused an increase of \$3.2 million.
- Dispositions in 2015 caused a decrease of \$1.8 million .
- Assets becoming fully depreciated caused a decrease of \$0.6 million.

Other income (expense)

In 2015, the Company recorded gains of approximately \$41.5 million on the sale of three properties.

In 2015, the Company recorded an impairment charge of \$3.3 million on a property that was reclassified to held for sale, due to management's decision to sell, to adjust the carrying value to fair value less estimated costs to sell which was subsequently sold.

Interest expense decreased \$5.8 million for the six months ended June 30, 2016 compared to the prior year period. The components of interest expense are as follows:

| | Six Months Ended June 30, | | Change | |
|---------------------------------------|---------------------------|-----------|------------|-----------|
| | 2016 | 2015 | \$ | % |
| <i>(Dollars in thousands)</i> | | | | |
| Contractual interest | \$ 28,718 | \$ 33,493 | \$ (4,775) | (14.3)% |
| Net discount/premium accretion | (60) | 454 | (514) | (113.2)% |
| Deferred financing costs amortization | 1,462 | 1,591 | (129) | (8.1)% |
| Interest rate swap amortization | 85 | 31 | 54 | 174.2 % |
| Interest cost capitalization | (452) | (33) | (419) | 1,269.7 % |
| Total interest expense | \$ 29,753 | \$ 35,536 | \$ (5,783) | (16.3)% |

Contractual interest expense decreased \$4.8 million primarily due to the following activity:

- The redemption of the unsecured senior notes due 2017 resulted in a decrease in interest expense of approximately \$7.3 million .
- Mortgage notes payable repayments resulted in a decrease in interest expense of approximately \$0.6 million .
- The issuance of the unsecured senior notes due 2025 caused an increase in interest expense of approximately \$3.0 million .
- Borrowings under the Unsecured Credit Facility and the UnsecuredTerm Loan caused an increase in interest expense of approximately \$0.1 million .

Loss on extinguishment of debt of approximately \$28.0 million is associated with the 2015 redemption of the senior notes due 2017.

Pension termination of approximately \$5.3 million represents the effect of the Company's termination of the Executive Retirement Plan in 2015. See Note 7 to the Condensed Consolidated Financial Statements for more information.

The Company recognized an impairment of internally-developed software of approximately \$0.7 million in 2015, which was abandoned for a third party program that was previously unavailable.

Discontinued Operations

Results from discontinued operations for the six months ended June 30, 2015 included income of \$0.7 million primarily related to one property classified as held for sale at December 31, 2014 that was subsequently sold.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to market risk in the form of changing interest rates on its debt and mortgage notes and other notes receivable. Management uses regular monitoring of market conditions and analysis techniques to manage this risk. During the six months ended June 30, 2016, there were no material changes in the quantitative and qualitative disclosures about market risks presented in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this report. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports it files or submits under the Exchange Act.

Changes in Internal Control over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II—OTHER INFORMATION**Item 1. Legal Proceedings**

The Company is, from time to time, involved in litigation arising in the ordinary course of business. The Company is not aware of any pending or threatened litigation that, if resolved against the Company, would have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Item 1A. Risk Factors

In addition to the other information set forth in this report, an investor should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, which could materially affect the Company's business, financial condition or future results. The risks, as described in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, are not the only risks facing the Company. Additional risks and uncertainties not currently known to management or that management currently deems immaterial also may materially, adversely affect the Company's business, financial condition, operating results or cash flows.

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

During the three months ended June 30, 2016, the Company withheld shares of Company common stock to satisfy employee tax withholding obligations payable upon the vesting of nonvested stock, as follows:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|--------------------|----------------------------------|------------------------------|--|--|
| April 1 - April 30 | 564 | \$ 30.28 | — | — |
| May 1 - May 31 | — | — | — | — |
| June 1 - June 30 | — | — | — | — |
| Total | 564 | | | |

Item 5. Other Information

On July 29, 2016, the Company entered into an amendment to the Unsecured Credit Facility. This amendment is described on page 9 above. The amendment is filed as Exhibit 10.1 to this Form 10-Q and is incorporated herein by reference. The description of the material terms of the amendment is qualified in its entirety by reference to Exhibit 10.1.

On July 29, 2016, the Company also entered into an amendment to the Unsecured Term Loan. This amendment was for the purpose of conforming the financial covenants in the Unsecured Term Loan to those in the amendment to the Unsecured Credit Facility. The amendment did not impact the maturity date or cost of borrowing under the Unsecured Term Loan. The amendment to the Unsecured Term Loan is filed as Exhibit 10.2 to this Form 10-Q and is incorporated herein by reference. The description of the material terms of the amendment is qualified in its entirety by reference to Exhibit 10.2.

Item 6. Exhibits

| Exhibit | Description |
|-----------------|--|
| Exhibit 3.1 | Second Articles of Amendment and Restatement of the Company, as amended ⁽¹⁾ |
| Exhibit 3.2 | Amended and Restated Bylaws of the Company, as amended ⁽¹⁾ |
| Exhibit 4.1 | Specimen Stock Certificate ⁽²⁾ |
| Exhibit 4.2 | Indenture, dated as of May 15, 2001, by and between the Company and Regions Bank, as trustee ⁽³⁾ |
| Exhibit 4.3 | Fourth Supplemental Indenture, dated December 13, 2010, by and between the Company and Regions Bank, as Trustee ⁽⁴⁾ |
| Exhibit 4.4 | Form of 5.750% Senior Notes due 2021 (set forth in Exhibit B to the Fourth Supplemental Indenture filed as Exhibit 4.5 thereto) ⁽⁴⁾ |
| Exhibit 4.5 | Fifth Supplemental Indenture, dated March 26, 2013, by and between the Company and Regions Bank, as Trustee ⁽⁵⁾ |
| Exhibit 4.6 | Form of 3.75% Senior Notes due 2023 (set forth in Exhibit B to the Fifth Supplemental Indenture filed as Exhibit 4.7 thereto) ⁽⁵⁾ |
| Exhibit 4.7 | Sixth Supplemental Indenture, dated April 24, 2015, by and between the Company and Regions Bank, as Trustee ⁽⁶⁾ |
| Exhibit 4.8 | Form of 3.875% Senior Notes due 2025 (set forth in Exhibit B to the Sixth Supplemental Indenture filed as Exhibit 4.9 thereto) ⁽⁶⁾ |
| Exhibit 10.1 | Third Amendment to Credit Agreement, dated as of July 29, 2016, by and among the Company, as Borrower, Wells Fargo Bank National Association, as Administrative Agent, and the other lenders that are party thereto. (filed herewith) |
| Exhibit 10.2 | First Amendment to Term Loan Agreement, dated as of July 29, 2016, by and among the Company, as Borrower, Wells Fargo Bank National Association, as Administrative Agent, and the other lenders that are party thereto. (filed herewith) |
| Exhibit 11 | Statement re: Computation of per share earnings (filed herewith in Note 5 to the Condensed Consolidated Financial Statements) |
| Exhibit 31.1 | Certification of the Chief Executive Officer of Healthcare Realty Trust Incorporated pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith) |
| Exhibit 31.2 | Certification of the Chief Financial Officer of Healthcare Realty Trust Incorporated pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith) |
| Exhibit 32 | Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith) |
| Exhibit 101.INS | XBRL Instance Document (filed herewith) |
| Exhibit 101.SCH | XBRL Taxonomy Extension Schema Document (filed herewith) |
| Exhibit 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith) |
| Exhibit 101.LAB | XBRL Taxonomy Extension Labels Linkbase Document (filed herewith) |
| Exhibit 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document (filed herewith) |
| Exhibit 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith) |

(1) Filed as an exhibit to the Company's Form 10-Q for the quarter ended June 30, 2015 and hereby incorporated by reference.

(2) Filed as an exhibit to the Company's Registration Statement on Form S-11 (Registration No. 33-60506) previously filed pursuant to the Securities Act of 1933 and hereby incorporated by reference.

(3) Filed as an exhibit to the Company's Form 8-K filed May 17, 2001 and hereby incorporated as reference.

(4) Filed as an exhibit to the Company's Form 8-K filed December 13, 2010 and hereby incorporated by reference.

(5) Filed as an exhibit to the Company's Form 8-K filed March 26, 2013 and hereby incorporated by reference.

(6) Filed as an exhibit to the Company's Form 8-K filed April 24, 2015 and hereby incorporated by reference.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HEALTHCARE REALTY TRUST INCORPORATED

By: /s/ J. CHRISTOPHER DOUGLAS

J. Christopher Douglas

Executive Vice President and Chief Financial Officer

Date: August 3, 2016

Exhibit Index

| Exhibit | Description |
|-----------------|--|
| Exhibit 3.1 | Second Articles of Amendment and Restatement of the Company, as amended ⁽¹⁾ |
| Exhibit 3.2 | Amended and Restated Bylaws of the Company, as amended ⁽¹⁾ |
| Exhibit 4.1 | Specimen Stock Certificate ⁽²⁾ |
| Exhibit 4.2 | Indenture, dated as of May 15, 2001, by and between the Company and Regions Bank, as trustee ⁽³⁾ |
| Exhibit 4.3 | Fourth Supplemental Indenture, dated December 13, 2010, by and between the Company and Regions Bank, as Trustee ⁽⁴⁾ |
| Exhibit 4.4 | Form of 5.750% Senior Notes due 2021 (set forth in Exhibit B to the Fourth Supplemental Indenture filed as Exhibit 4.5 thereto) ⁽⁴⁾ |
| Exhibit 4.5 | Fifth Supplemental Indenture, dated March 26, 2013, by and between the Company and Regions Bank, as Trustee ⁽⁵⁾ |
| Exhibit 4.6 | Form of 3.75% Senior Notes due 2023 (set forth in Exhibit B to the Fifth Supplemental Indenture filed as Exhibit 4.7 thereto) ⁽⁵⁾ |
| Exhibit 4.7 | Sixth Supplemental Indenture, dated April 24, 2015, by and between the Company and Regions Bank, as Trustee ⁽⁶⁾ |
| Exhibit 4.8 | Form of 3.875% Senior Notes due 2025 (set forth in Exhibit B to the Sixth Supplemental Indenture filed as Exhibit 4.9 thereto) ⁽⁶⁾ |
| Exhibit 10.1 | Third Amendment to Credit Agreement, dated as of July 29, 2016, by and among the Company, as Borrower, Wells Fargo Bank National Association, as Administrative Agent, and the other lenders that are party thereto. (filed herewith) |
| Exhibit 10.2 | First Amendment to Term Loan Agreement, dated as of July 29, 2016, by and among the Company, as Borrower, Wells Fargo Bank National Association, as Administrative Agent, and the other lenders that are party thereto. (filed herewith) |
| Exhibit 11 | Statement re: Computation of per share earnings (filed herewith in Note 5 to the Condensed Consolidated Financial Statements) |
| Exhibit 31.1 | Certification of the Chief Executive Officer of Healthcare Realty Trust Incorporated pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith) |
| Exhibit 31.2 | Certification of the Chief Financial Officer of Healthcare Realty Trust Incorporated pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith) |
| Exhibit 32 | Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith) |
| Exhibit 101.INS | XBRL Instance Document (filed herewith) |
| Exhibit 101.SCH | XBRL Taxonomy Extension Schema Document (filed herewith) |
| Exhibit 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith) |
| Exhibit 101.LAB | XBRL Taxonomy Extension Labels Linkbase Document (filed herewith) |
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THIRD AMENDMENT TO CREDIT AGREEMENT

THIS THIRD AMENDMENT TO CREDIT AGREEMENT (this “Amendment”) dated as of July 29, 2016 by and among HEALTHCARE REALTY TRUST INCORPORATED, a corporation formed under the laws of the State of Maryland (the “Borrower”), each of the Lenders party hereto and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent (the “Administrative Agent”).

WHEREAS, the Borrower, the Lenders, the Administrative Agent and certain other parties have entered into that certain Credit Agreement dated as of October 14, 2011 (as amended and as in effect immediately prior to the effectiveness of this Amendment, the “Credit Agreement”); and

WHEREAS, the Borrower, the Lenders and the Administrative Agent desire to amend certain provisions of the Credit Agreement on the terms and conditions contained herein.

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

Section 1. Specific Amendments to Credit Agreement. Upon the effectiveness of this Amendment, the parties hereto agree that the Credit Agreement shall be amended as follows:

(a) The Credit Agreement is amended by adding the following definitions to Section 1.01 thereof in the appropriate alphabetical location:

“Anti-Terrorism Laws” has the meaning given that term in Section 5.22.

“Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

“Bail-In Legislation” means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

“Co-Syndication Agents” means JPMorgan Chase Bank, U.S. Bank and PNC Bank.

“EEA Financial Institution” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“EEA Member Country” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“EEA Resolution Authority” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegatee) having responsibility for the resolution of any EEA Financial Institution.

“EU Bail-In Legislation Schedule” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

“Joint Book Runners” means WFS and JPMorgan Chase Bank in their capacities as joint book runners.

“JPMorgan Chase Bank” means JPMorgan Chase Bank, N.A., together with its successors.

“Material Acquisition” means any acquisition (whether by direct purchase, merger or otherwise and whether in one or more related transactions) by the Borrower or any Subsidiary in which the purchase price of the assets acquired exceeds an amount equal to 10.0% of consolidated total assets as of the last day of the most recently ended fiscal quarter prior to the consummation of such acquisition of the Borrower for which financial statements are publicly available.

“PNC Bank” means PNC Bank, National Association, together with its successors.

“PNCCM” means PNC Capital Markets LLC, together with its successors, or an affiliate selected by it in its sole discretion.

“Swing Line Availability” has the meaning given to that term in Section 2.01(c).

“Third Amendment Date” means July 29, 2016.

“Trading with the Enemy Act” has the meaning given to that term in Section 5.22.

“U.S. Bank” means U.S. Bank National Association, together with its successors.

“Write-Down and Conversion Powers” means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

(b) The Credit Agreement is further amended by restating the following definitions contained in Section 1.01 thereof in their entirety as follows:

“Applicable Percentage” means, for any day, the rate per annum set forth below opposite the applicable Debt Rating:

| Pricing Level | Debt Ratings (or their equivalents) | Loans that are Eurodollar Rate Loans, Base Rate Loans and Letter of Credit Fees | Facility Fee |
|---------------|--|---|--------------|
| 1 | A-/A3 or better | 0.825% | 0.125% |
| 2 | BBB+/Baa1 | 0.90% | 0.15% |
| 3 | BBB/Baa2 | 1.00% | 0.20% |
| 4 | BBB-/Baa3 | 1.20% | 0.25% |
| 5 | BB+/Ba1 and below | 1.55% | 0.30% |

The Borrower will maintain a Debt Rating at all times with at least two (2) Ratings Services, and the Borrower may, at its option, obtain a third Debt Rating from another Ratings Service. The applicable Pricing Level will be determined by reference to the Debt Ratings; provided that:

(a) if Debt Ratings are provided by two (2) Ratings Services and the Debt Ratings by the Rating Services indicate different Pricing Levels, then (A) if they are only one level apart, the applicable Pricing Level shall be determined by reference to the higher or better Debt Rating and shall be set at the Pricing Level indicated thereby, and (B) if they are more than one level apart, the applicable Pricing Level shall be determined by reference to the lower (or worse) Debt Rating and shall be set at one Pricing Level above the Pricing Level that would be indicated by the lower Debt Rating (e.g., if the Debt Rating by one of the Rating Services is A- and the Debt Rating by another of the Rating Services is Baa3, the Applicable Percentage would be set at Pricing Level 3),

(b) if Debt Ratings are provided by three (3) or more Ratings Services acceptable to the Administrative Agent and the Debt Ratings indicate different Pricing Levels, then the applicable Pricing Level shall be determined by reference to the lower of the two (2) highest (or best) Debt Ratings and shall be set at the Pricing Level indicated thereby, and

(c) if a Debt Rating is not provided by at least two (2) Ratings Services, or if no Debt Rating is available, then the Applicable Percentage shall be Pricing Level 5.

The Applicable Percentage shall be determined and adjusted on the first Business Day following the date of any change in the Debt Rating. Adjustments in the Applicable Percentage shall be effective as to all Extensions of Credit, existing and prospective, from the date of adjustment. Determinations by the Administrative Agent of the applicable Pricing Level shall be conclusive absent manifest error. The Administrative Agent shall promptly notify the Lenders of changes in the Applicable Percentage.

“Arrangers” means WFS, JPMorgan Chase Bank (or any Affiliate of JPMorgan Chase Bank designated by it), U.S. Bank and PNCCM in their capacities as joint lead arrangers.

“Consolidated Unencumbered Realty” means, for the Consolidated Group, the book value of all realty (prior to deduction for accumulated depreciation) minus the book value

of real property (prior to deduction for accumulated depreciation) which is subject to mortgage Liens described in clause (c) of Section 6.07 or mortgage Liens arising out of the refinancing, extension, renewal or refunding of any Indebtedness permitted hereunder secured by a mortgage Lien initially permitted under clause (c) of Section 6.07. To the extent that the aggregate amount of Consolidated Unencumbered Realty attributable to the following would exceed 15.0% of Consolidated Unencumbered Realty, such excess shall be excluded: (a) construction projects; (b) unimproved real estate; (c) realty owned or leased by a Subsidiary that is not a Wholly Owned Subsidiary (other than realty owned or leased by a Subsidiary that is not a Wholly Owned Subsidiary but for which the Borrower exclusively controls, directly or indirectly, the sale and financing of such realty); and (d) realty not located in the United States of America.

“Defaulting Lender” means, subject to Section 2.14(f), any Lender that (a) has failed to (i) fund all or any portion of its Loans within 2 Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, the L/C Issuer, the Swing Line Lender or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit or Swing Line Loans) within 2 Business Days of the date when due, (b) has notified the Borrower, the Administrative Agent, the L/C Issuer or the Swing Line Lender in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund a Loan hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within 3 Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity or (iii) become the subject of a Bail-In Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States of America or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.14(f)) upon delivery of written notice

of such determination to the Borrower, the L/C Issuer, the Swing Line Lender and each Lender.

“Eurodollar Rate” means, with respect to any Eurodollar Rate Loan for any Interest Period, the rate of interest obtained by dividing (i) the rate of interest per annum determined on the basis of the rate for deposits in Dollars for a period equal to the applicable Interest Period which appears on Reuters Screen LIBOR01 Page (or any applicable successor page) at approximately 11:00 a.m. (London time) two Business Days prior to the first day of the applicable Interest Period by (ii) a percentage equal to 1 minus the stated maximum rate (stated as a decimal) of all reserves, if any, required to be maintained with respect to Eurocurrency funding (currently referred to as “Eurocurrency liabilities”) as specified in Regulation D of the Board of Governors of the Federal Reserve System (or against any other category of liabilities which includes deposits by reference to which the interest rate on Eurodollar Rate Loans is determined or any applicable category of extensions of credit or other assets which includes loans by an office of any Lender outside of the United States of America). If, for any reason, the rate referred to in the preceding clause (i) does not appear on Reuters Screen LIBOR01 Page (or any applicable successor page), then the rate to be used for such clause (i) shall be determined by the Administrative Agent to be the arithmetic average of the rate per annum at which deposits in Dollars would be offered by first class banks in the London interbank market to the Administrative Agent at approximately 11:00 a.m. (London time) two Business Days prior to the first day of the applicable Interest Period for a period equal to such Interest Period. Any change in the maximum rate of reserves described in the preceding clause (ii) shall result in a change in the Eurodollar Rate on the date on which such change in such maximum rate becomes effective. If the Eurodollar Rate determined as provided above would be less than zero, the Eurodollar Rate shall be deemed to be zero.

“Federal Funds Rate” means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by the Administrative Agent. If the Federal Funds Rate determined as provided above would be less than zero, the Federal Funds Rate shall be deemed to be zero.

“L/C Issuer” means each of Wells Fargo, JPMorgan Chase Bank, U.S. Bank and PNC Bank, in its capacity as an issuer of Letters of Credit pursuant to Section 2.01(b). Any reference to “the L/C Issuer” herein shall be deemed to refer to each L/C Issuer, any L/C Issuer, the applicable L/C Issuer or all L/C Issuers, as the context may require.

“Revolving Termination Date” means July 29, 2020, or such later date to which the Revolving Termination Date may be extended pursuant to Section 2.15.

“Sanctioned Country” means, at any time, a country or territory which is, or whose government is, the subject or target of any Sanctions.

“Sanctioned Person” means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by any Governmental Authority of the United States of America, including without limitation, OFAC or the U.S. Department of State, or by the United Nations Security Council, the European Union or any other Governmental Authority, (b) any Person located, operating, organized or resident in a Sanctioned Country, (c) an agency, political subdivision or instrumentality of the government of a Sanctioned Country or (d) any Person Owned or Controlled by any Person, Persons or agency described in any of the preceding clauses (a) through (c).

“Sanctions” means any sanctions or trade embargoes imposed, administered or enforced by any Governmental Authority of the United States of America, including without limitation, OFAC or the U.S. Department of State, or by the United Nations Security Council, the European Union or any other Governmental Authority.

(c) The Credit Agreement is further amended by deleting the definition of “Equity Transaction” contained in Section 1.01 thereof in its entirety and “Syndication Agent” contained in the preamble thereof in its entirety.

(d) The Credit Agreement is further amended by restating Section 2.01(b) thereof in its entirety as follows:

(b) Letters of Credit. During the Commitment Period, (i) each L/C Issuer, in reliance upon the commitments of the Lenders set forth herein, agrees (A) to issue Letters of Credit for the account of the Borrower or any member of the Consolidated Group on any Business Day, (B) to amend or renew Letters of Credit previously issued hereunder, and (C) to honor drafts under Letters of Credit; and (ii) each Lender irrevocably and unconditionally agrees to purchase from each L/C Issuer a participation interest in the Letters of Credit issued by such L/C Issuer hereunder in an amount equal to such Lender’s Revolving Commitment Percentage thereof; provided that (A) the aggregate principal amount of L/C Obligations shall not exceed NINETY MILLION DOLLARS (\$90,000,000) (as such amount may be increased or decreased in accordance with the provisions hereof, the “L/C Committed Amount”), (B) an L/C Issuer shall not be obligated to issue a Letter of Credit if, after giving effect to such issuance, the aggregate stated amount of the outstanding Letters of Credit issued by such L/C Issuer would exceed the lesser of (x) 25% of the L/C Committed Amount and (y) the Revolving Commitment of such L/C Issuer in its capacity as Lender, (C) with regard to the Lenders collectively, the aggregate principal amount of Revolving Obligations shall not exceed the Aggregate Revolving Committed Amount, and (D) with regard to each Lender individually, such Lender’s Revolving Commitment Percentage of Revolving Obligations shall not exceed its respective Revolving Committed Amount. Subject to the terms and conditions hereof, the Borrower’s ability to obtain Letters of Credit shall be fully revolving, and accordingly the Borrower may obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed.

(e) The Credit Agreement is further amended by restating Section 2.01(c) thereof in its entirety as follows:

(c) Swing Line Loans. During the Commitment Period, the Swing Line Lender agrees, subject to the terms and conditions set forth herein and in reliance upon the agreements of the other Lenders set forth herein, to make revolving credit loans (the “Swing

Line Loans”) to the Borrower on any Business Day; provided that (i) the aggregate principal amount of Swing Line Loans shall not exceed the lesser of (such lesser amount being referred to as the “Swing Line Availability”) (x) SEVENTY MILLION DOLLARS (\$70,000,000) (as such amount may be increased or decreased in accordance with the provisions hereof, the “Swing Line Committed Amount”), and (y) the Revolving Commitment of the Swing Line Lender in its capacity as a Lender minus the outstanding principal amount of the Revolving Loans owing to the Swing Line Lender in its capacity as a Lender, (ii) with respect to the Lenders collectively, the aggregate principal amount of Revolving Obligations shall not exceed the Aggregate Revolving Committed Amount, (iii) with regard to each Lender individually, such Lender’s Revolving Commitment Percentage of Revolving Obligations shall not exceed its respective Revolving Committed Amount, and (iv) the Borrower shall not use the proceeds of any Swing Line Loan to refinance any outstanding Swing Line Loan. Swing Line Loans shall be comprised solely of Loans bearing interest based on the Base Rate or such other rate as may be agreed, in each case as provided in Section 2.08(a)(iii), and may be repaid and reborrowed in accordance with the provisions hereof. Immediately upon the making of a Swing Line Loan, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Swing Line Lender a participation interest in such Swing Line Loan in an amount equal to the product of such Lender’s Revolving Commitment Percentage thereof. No Swing Line Loan shall remain outstanding for longer than ten (10) Business Days.

(f) The Credit Agreement is further amended by restating the second sentence of Section 2.02(a) thereof in its entirety as follows:

Each such notice must be received by the Administrative Agent not later than (i) with respect to Eurodollar Rate Loans, 1:00 p.m. three (3) Business Days prior to, or (ii) with respect to Base Rate Loans, 10:00 a.m. on, the requested date of any Borrowing, conversion or continuation of Loans.

(g) The Credit Agreement is further amended by restating the second sentence of Section 2.02(b) thereof in its entirety as follows:

Each Lender shall make the amount of its Loan available to the Administrative Agent in immediately available funds at the Administrative Agent’s Office not later than (i) with respect to Eurodollar Rate Loans, 3:00 p.m. and (ii) with respect to Base Rate Loans, 4:00 p.m., on the Business Day specified in the applicable Loan Notice.

(h) The Credit Agreement is further amended by restating Section 2.02(e) thereof in its entirety as follows:

(e) After giving effect to all Borrowings, all conversions of Loans from one Type to the other, and all continuations of Loans as the same Type, there shall not be more than twelve (12) Interest Periods in effect with respect to Revolving Loans.

(i) The Credit Agreement is further amended by restating Section 2.03 thereof in its entirety as follows:

2.03 Additional Provisions with respect to Letters of Credit.

(a) Obligation to Issue or Amend.

(i) No L/C Issuer shall be under any obligation to issue any Letter of Credit if:

(A) the issuance of such Letter of Credit would violate one or more policies of such L/C Issuer; or

(B) such Letter of Credit is in an initial amount less than \$500,000 or is to be denominated in a currency other than Dollars.

(ii) No L/C Issuer shall issue any Letter of Credit if:

(A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain such L/C Issuer from issuing such Letter of Credit, or any Law applicable to such L/C Issuer or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such L/C Issuer shall prohibit, or request that such L/C Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such L/C Issuer with respect to such Letter of Credit any restriction, reserve or capital requirement (for which such L/C Issuer is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon such L/C Issuer any unreimbursed loss, cost or expense that was not applicable on the Closing Date and that such L/C Issuer in good faith deems material to it;

(B) the expiry date of such requested Letter of Credit would occur more than twelve (12) months after the date of issuance or last renewal, unless such L/C Issuer shall have approved such expiry date as provided in, and subject to Section 2.03(b)(iii);

(C) the expiry date of such requested Letter of Credit would occur after the Letter of Credit Expiration Date, unless all the Lenders have approved such expiry date as provided in, and subject to, Section 2.03(a)(v) and Section 2.03(l);

(D) one or more applicable conditions contained in Section 4.02 shall not then be satisfied and such L/C Issuer shall have received written notice thereof from any Lender or any Credit Party at least one (1) Business Day prior to the requested date of issuance of such Letter of Credit;

(E) the Revolving Commitments have been terminated pursuant to Section 7.01; or

(F) such Letter of Credit is to be denominated in a currency other than Dollars;

(iii) No L/C Issuer shall be under any obligation to amend any Letter of Credit if:

(A) such L/C Issuer would have no obligation at such time to issue such Letter of Credit in its amended form under the terms hereof; or

(B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

(iv) No L/C Issuer shall amend any Letter of Credit if:

(A) one or more applicable conditions contained in Section 4.02 shall not then be satisfied and such L/C Issuer shall have received written notice thereof from any Lender or any Credit Party at least one (1) Business Day prior to the requested date of amendment of such Letter of Credit;

(B) the Revolving Commitments have been terminated pursuant to Section 7.01; or

(C) assuming such amended Letter of Credit were then being requested, one or more of the conditions contained in Section 2.03(a)(ii) shall then exist and would prohibit the issuance of such amended Letter of Credit.

(v) Notwithstanding the immediately preceding clause (ii)(C), the expiry date of a Letter of Credit may occur after the Letter of Credit Expiration Date so long as the applicable L/C Issuer and all of the Lenders have approved such later expiry date (in which case, such Letter of Credit shall be an “ Extended Letter of Credit ”), it being acknowledged and agreed that each such Extended Letter of Credit shall be Cash Collateralized in accordance with Section 2.03(l).

(b) Procedures for Issuance and Amendment.

(i) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Borrower and delivered to the applicable L/C Issuer (with a copy to the Administrative Agent) in the form of a Letter of Credit Application, appropriately completed and signed by a Responsible Officer of the Borrower. Such Letter of Credit Application must be received by such L/C Issuer and the Administrative Agent not later than 11:00 a.m. at least five (5) Business Days (or such later date and time as such L/C Issuer may agree in a particular instance in its sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to such L/C Issuer: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; and (G) such other matters as such L/C Issuer may require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the applicable L/C Issuer (A) the Letter of Credit to be amended; (B) the proposed date of amendment thereof (which shall be a Business Day); (C) the nature of the proposed amendment; and (D) such other matters as such L/C Issuer may require. Additionally, the Borrower shall

furnish to such L/C Issuer and the Administrative Agent such other documents and information pertaining to such requested Letter of Credit issuance or amendment, including any Issuer Documents, as such L/C Issuer or the Administrative Agent may reasonably require.

(ii) Promptly after receipt of any Letter of Credit Application, the applicable L/C Issuer will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Letter of Credit Application from the Borrower and, if not, such L/C Issuer will provide the Administrative Agent with a copy thereof. Upon receipt by the applicable L/C Issuer of confirmation from the Administrative Agent that the requested issuance or amendment is permitted in accordance with the terms hereof, then, subject to the terms and conditions hereof, such L/C Issuer shall, on the requested date, issue a Letter of Credit for the account of the Borrower or enter into the applicable amendment, as the case may be, in each case in accordance with such L/C Issuer's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the applicable L/C Issuer a risk participation in such Letter of Credit in an amount equal to the product of such Lender's Revolving Commitment Percentage of such Letter of Credit.

(iii) If the Borrower so requests in the applicable Letter of Credit Application, the applicable L/C Issuer may, in its sole discretion, agree to issue a Letter of Credit that has automatic extension provisions (each, an “Evergreen Letter of Credit”); provided that any such Evergreen Letter of Credit must permit such L/C Issuer to prevent any such extension at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the “Non-Extension Notice Date”) in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the applicable L/C Issuer, the Borrower shall not be required to make a specific request to such L/C Issuer for any such extension. Once an Evergreen Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) the applicable L/C Issuer to permit the extension of such Letter of Credit at any time to an expiry date not later than the Letter of Credit Expiration Date (or with respect to an Extended Letter of Credit, the expiry date set forth in such Extended Letter of Credit); provided that such L/C Issuer shall not permit any such extension if (A) such L/C Issuer has determined that it would not be permitted, or would have no obligation, at such time to issue such Letter of Credit in its revised form (as extended) under the terms hereof, or (B) it has received notice (which may be by telephone or in writing) on or before the day that is seven Business Days before the Non-Extension Notice Date (1) from the Administrative Agent that the Required Lenders have elected not to permit such extension or (2) from the Administrative Agent, any Lender or the Borrower that one or more of the applicable conditions specified in Section 4.02 is not then satisfied, and in each such case directing such L/C Issuer not to permit such extension.

(iv) After delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the applicable L/C Issuer will deliver to the Borrower or the Administrative Agent a true and complete copy of such Letter of Credit or amendment upon request.

(c) Drawings and Reimbursements; Funding of Participations.

(i) Upon any drawing under any Letter of Credit, the applicable L/C Issuer shall notify the Borrower and the Administrative Agent thereof. Not later than 11:00 a.m. on the date of any payment by the applicable L/C Issuer under a Letter of Credit (each such date, an “Honor Date”), the Borrower shall reimburse such L/C Issuer through the Administrative Agent in an amount equal to the amount of such drawing. If the Borrower fails to so reimburse such L/C Issuer by such time, the Administrative Agent shall promptly notify each Lender of the Honor Date, the amount of the unreimbursed drawing (the “Unreimbursed Amount”), and the amount of such Lender’s Revolving Commitment Percentage thereof. In such event, the Borrower shall be deemed to have requested a Borrowing of Base Rate Loans to be disbursed on the Honor Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in Section 2.02 for the principal amount of Base Rate Loans, the amount of the unutilized portion of the Aggregate Revolving Commitments or the conditions set forth in Section 4.02. Any notice given by the applicable L/C Issuer or the Administrative Agent pursuant to this Section 2.03(c)(i) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(ii) Each Lender (including any Lender acting as an L/C Issuer) shall upon any notice pursuant to Section 2.03(c)(i) make funds available to the Administrative Agent for the account of the applicable L/C Issuer at the Administrative Agent’s Office in an amount equal to its Revolving Commitment Percentage of the Unreimbursed Amount not later than 1:00 p.m. on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of Section 2.03(c)(iii), each Lender that so makes funds available shall be deemed to have made a Revolving Loan that is a Base Rate Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to such L/C Issuer.

(iii) With respect to any Unreimbursed Amount that is not fully refinanced by a Borrowing of Base Rate Loans for any reason, the Borrower shall be deemed to have incurred from the applicable L/C Issuer an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Default Rate. In such event, each Lender’s payment to the Administrative Agent for the account of such L/C Issuer pursuant to Section 2.03(c)(ii) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this Section 2.03.

(iv) Until each Lender funds its Revolving Loan or L/C Advance pursuant to this Section 2.03(c) to reimburse the applicable L/C Issuer for any amount drawn under any Letter of Credit, interest in respect of such Lender’s Revolving Commitment Percentage of such amount shall be solely for the account of such L/C Issuer.

(v) Each Lender’s obligation to make Revolving Loans or L/C Advances to reimburse the applicable L/C Issuer for amounts drawn under Letters of Credit, as contemplated by this Section 2.03(c), shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any Cash Collateral being delivered in respect

of an Extended Letter of Credit, (B) any set-off, counterclaim, recoupment, defense or other right that such Lender may have against such L/C Issuer, the Borrower or any other Person for any reason whatsoever, (C) the occurrence or continuance of a Default or Event of Default, (D) non-compliance with the conditions set forth in Section 4.02, or (E) any other occurrence, event or condition, whether or not similar to any of the foregoing. No such making of an L/C Advance shall relieve or otherwise impair the obligation of the Borrower to reimburse such L/C Issuer for the amount of any payment made by such L/C Issuer under any Letter of Credit, together with interest as provided herein.

(vi) If any Lender fails to make available to the Administrative Agent for the account of the applicable L/C Issuer any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.03(c) by the time specified in Section 2.03(c)(ii), such L/C Issuer shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to such L/C Issuer at a rate per annum equal to the Federal Funds Rate from time to time in effect. A certificate of the applicable L/C Issuer submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (vi) shall be conclusive absent manifest error.

(d) Repayment of Participations.

(i) At any time after the applicable L/C Issuer has made a payment under any Letter of Credit and has received from any Lender such Lender's L/C Advance in respect of such payment in accordance with Section 2.03(c), if the Administrative Agent receives for the account of such L/C Issuer any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from the Borrower or otherwise, including proceeds of Cash Collateral applied thereto by the Administrative Agent), the Administrative Agent will distribute to such Lender its Revolving Commitment Percentage thereof (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's L/C Advance was outstanding) in the same funds as those received by the Administrative Agent.

(ii) If any payment received by the Administrative Agent for the account of the applicable L/C Issuer pursuant to Section 2.03(c)(i) is required to be returned under any of the circumstances described in Section 9.06 (including pursuant to any settlement entered into by such L/C Issuer in its discretion), each Lender shall pay to the Administrative Agent for the account of such L/C Issuer its Revolving Commitment Percentage thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to the Federal Funds Rate from time to time in effect.

(e) Obligations Absolute. The obligation of the Borrower to reimburse the applicable L/C Issuer for each drawing under each Letter of Credit and to repay each L/C Borrowing shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Credit Agreement under all circumstances, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Credit Agreement, or any other agreement or instrument relating thereto;

(ii) the existence of any claim, counterclaim, set-off, defense or other right that the Borrower may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the applicable L/C Issuer or any other Person, whether in connection with this Credit Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by the applicable L/C Issuer under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by the applicable L/C Issuer under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law; or

(v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower.

The Borrower shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Borrower's instructions or other irregularity, the Borrower will immediately notify the applicable L/C Issuer. The Borrower shall be conclusively deemed to have waived any such claim against such L/C Issuer and its correspondents unless such notice is given as aforesaid.

(f) Role of L/C Issuers. Each Lender and the Borrower agree that, in paying any drawing under a Letter of Credit, the applicable L/C Issuer shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by such Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. None of the L/C Issuers, the Administrative Agent, any of their respective Related Parties nor any correspondent, participant or assignee of the such L/C Issuer shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Required Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final, non-appealable judgment; or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Issuer Document. The Borrower hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter

of Credit; provided, however, that this assumption is not intended to, and shall not, preclude the Borrower's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. None of the L/C Issuers, the Administrative Agent, any of their respective Related Parties nor any correspondent, participant or assignee of the such L/C Issuer shall be liable or responsible for any of the matters described in clauses (i) through (v) of Section 2.03(e); provided, however, that anything in such clauses to the contrary notwithstanding, the Borrower may have a claim against an L/C Issuer, and such L/C Issuer may be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrower that a court of competent jurisdiction in a final, non-appealable judgment, determines were caused by such L/C Issuer's willful misconduct or gross negligence or such L/C Issuer's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, the applicable L/C Issuer may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and such L/C Issuer shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, that may prove to be invalid or ineffective for any reason.

(g) Cash Collateral. (i) If the applicable L/C Issuer has honored any full or partial drawing request under any Letter of Credit and such drawing has resulted in an L/C Borrowing, or (ii) if, as of the Letter of Credit Expiration Date, any Letter of Credit may for any reason remain outstanding and partially or wholly undrawn, the Borrower shall immediately provide Cash Collateral in the then Outstanding Amount of all L/C Obligations (in an amount equal to such Outstanding Amount determined as of the date of such L/C Borrowing or the Letter of Credit Expiration Date, as the case may be). The Borrower hereby grants to the Administrative Agent, for the benefit of the L/C Issuers and the Lenders, a security interest in all such cash, deposit accounts and all balances therein and all proceeds of the foregoing. Cash Collateral shall be maintained in blocked deposit accounts at Wells Fargo.

(h) Applicability of ISP. Unless otherwise expressly agreed by the applicable L/C Issuer and the Borrower when a Letter of Credit is issued, the rules of the ISP shall apply to each standby Letter of Credit.

(i) Letter of Credit Fees. The Borrower shall pay Letter of Credit fees as set forth in Section 2.09.

(j) Conflict with Letter of Credit Application. In the event of any conflict between the terms hereof and the terms of any Issuer Document, the terms hereof shall control.

(k) Letters of Credit Issued for Subsidiaries. Notwithstanding that a Letter of Credit issued or outstanding hereunder is in support of any obligations of, or is for the account of, a Subsidiary, the Borrower shall be obligated to reimburse the applicable L/C Issuer hereunder for any and all drawings under such Letter of Credit. The Borrower hereby acknowledges that the issuance of Letters of Credit for the account of Subsidiaries inures

to the benefit of the Borrower, and that the Borrower's business derives substantial benefits from the businesses of such Subsidiaries.

(l) Extended Letters of Credit. The Borrower shall provide Cash Collateral (in an amount equal to the amount of each Extended Letter of Credit, calculated in accordance with Section 1.07) to the applicable L/C Issuer with respect to each Extended Letter of Credit issued by such L/C Issuer by the date 30 days prior to the Revolving Termination Date; provided that if the Borrower fails to provide Cash Collateral with respect to any such Extended Letter of Credit by such time, such event shall be treated as a drawing under such Extended Letter of Credit (in an amount equal to the amount of each such Letter of Credit, calculated in accordance with Section 1.07), which shall be reimbursed (or participations therein funded) in accordance with Section 2.03(c), with the proceeds being utilized to provide Cash Collateral for such Letter of Credit. If the delivery of any Cash Collateral in respect of an Extended Letter of Credit is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, each Lender confirms that its obligations under Section 2.03(c) shall remain in full force and effect.

(j) The Credit Agreement is further amended by restating Section 2.06(b) in its entirety as follows:

(b) Mandatory Prepayments on Revolving Obligations. If at any time (i) the aggregate principal amount of Revolving Obligations shall exceed the Aggregate Revolving Committed Amount, (ii) the aggregate principal amount of L/C Obligations shall exceed the L/C Committed Amount or (iii) the aggregate principal amount of Swing Line Loans shall exceed the Swing Line Availability, the Borrower shall immediately prepay the Revolving Loans and/or provide Cash Collateral to the L/C Obligations in an amount equal to such excess; provided, however, that Cash Collateral will not be provided to the L/C Obligations hereunder until the Revolving Loans and Swing Line Loans have been paid to or below the Aggregate Revolving Committed Amount or the Swing Line Availability, as the case may be.

(k) The Credit Agreement is further amended by restating Section 2.14(d) thereof in its entirety as follows:

(d) Reallocation of Participation to Reduce Fronting Exposure. All or any part of such Defaulting Lender's participation in L/C Obligations and Swing Line Loans shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Revolving Commitment Percentages (determined without regard to such Defaulting Lender's Revolving Commitment) but only to the extent that such reallocation does not cause the aggregate Revolving Credit Exposure of any Non-Defaulting Lender to exceed such Non-Defaulting Lender's Revolving Commitment. Subject to Section 9.23, no reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased exposure following such reallocation.

(l) The Credit Agreement is further amended by adding the following subsection (g) to the end of Section 3.01:

(g) FATCA Determination. For purposes of determining withholding Taxes imposed under FATCA, from and after the Third Amendment Date, the Borrower and the Administrative Agent shall treat (and the Lenders hereby authorize the Administrative Agent to treat) this Agreement as not qualifying as a “grandfathered obligation” within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i).

(m) The Credit Agreement is further amended by restating Section 3.06(b) thereof in its entirety as follows:

(b) Replacement of Lenders. If any Lender requests compensation under Section 3.04, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, or if a Lender becomes a Defaulting Lender, the Borrower may replace such Lender in accordance with Section 9.15.

(n) The Credit Agreement is further amended by restating Section 5.22 thereof in its entirety as follows:

5.22 Anti-Corruption Laws and Sanctions; Anti-Terrorism Laws.

None of the Borrower, any Subsidiary, any of their respective directors, or officers, or, to the knowledge of the Borrower, any of the Borrower’s or any Subsidiary’s employees (i) is an “enemy” or an “ally of the enemy” within the meaning of Section 2 of the Trading with the Enemy Act of the United States, 50 U.S.C. App. §§ 1 et seq., as amended (the “Trading with the Enemy Act”) or (ii) is in violation of (A) the Trading with the Enemy Act, (B) any of the foreign assets control regulations of the United States Treasury Department or any enabling legislation or executive order relating thereto, including without limitation, Executive Order No. 13224, effective as of September 24, 2001 relating to Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit or Support Terrorism (66 Fed. Reg. 49079 (2001) or (C) the Patriot Act (collectively, the “Anti-Terrorism Laws”). The Borrower, its Subsidiaries and their respective officers and employees and its directors and agents, are in compliance with Anti-Corruption Laws, Anti-Terrorism Laws and applicable Sanctions in all material respects. None of the Borrower, any Subsidiary or any of their respective directors, officers or employees is (i) the subject or target of any Sanctions or (ii) located, organized or resident in a country or territory that is, or whose government is, the subject of Sanctions.

(o) The Credit Agreement is further amended by restating Section 6.04 thereof in its entirety as follows:

6.04 Conduct of Business and Maintenance of Existence.

Except as contemplated otherwise by the Investment Policy, the Borrower will continue, and will cause each Subsidiary to continue, to engage in business of the same general type as now conducted by the Borrower and each of its Subsidiaries, and will preserve, renew and keep in full force and effect, and will cause each of its Subsidiaries to preserve, renew and keep in full force and effect their respective organizational existences and, with respect to the Borrower, its jurisdiction of organization shall remain in the United

States (except with the written consent of the Administrative Agent and each Lender) and, except for any such rights, privileges and franchises the failure to preserve which would not in the aggregate have a Material Adverse Effect; provided that nothing in this Section 6.04 shall prohibit (a) the merger of a Subsidiary of the Borrower into the Borrower or the merger or consolidation of any Subsidiary of the Borrower with or into another Person if the corporation surviving such consolidation or merger is a Wholly Owned Consolidated Subsidiary of the Borrower and if, in each case, after giving effect thereto, no Default or Event of Default shall have occurred and be continuing and a responsible officer of the Borrower shall deliver to the Administrative Agent an officer's certificate representing that after giving effect to the transaction (i) the Borrower is in compliance with the terms of the Credit Agreement on a pro forma basis and (ii) no Default or Event of Default shall then exist, or (b) the termination of the corporate existence of any Subsidiary of the Borrower or the discontinuation of any line of business of the Borrower or any of its Subsidiaries if the Borrower in good faith determines that such termination is in the best interest of the Borrower or such Subsidiary, as the case may be, and is not materially disadvantageous to the Lenders.

(p) The Credit Agreement is further amended by restating Section 6.12 thereof in its entirety as follows:

6.12 Use of Proceeds.

The Extensions of Credit hereunder will be used (a) to refinance existing indebtedness for borrowed money, including Indebtedness under the Existing Credit Agreement, (b) to finance the acquisition and development of healthcare real estate properties by the Borrower and its Subsidiaries, and (c) to finance the general corporate purposes of the Borrower and its Subsidiaries. No proceeds of any Loan will be used (x) to purchase or carry any "margin stock" or to extend credit to others for the purpose of purchasing or carrying any "margin stock" in violation of Regulations U, T or X, (y) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws or any Anti-Terrorism Laws or (z) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country.

(q) The Credit Agreement is further amended by restating Section 6.16 thereof in its entirety as follows:

(a) Consolidated Leverage Ratio. Permit the Consolidated Leverage Ratio at any time to be greater than 60%; provided, however, that if such ratio is greater than 60% but is not greater than 65%, then the Borrower shall be deemed to be in compliance with this subsection (a) so long as (i) the Borrower completed a Material Acquisition during the quarter in which such ratio first exceeded 60%, (ii) such ratio does not exceed 60% at any time after the fiscal quarter immediately following the fiscal quarter in which such Material Acquisition was completed, (iii) the Borrower has not maintained compliance with this subsection (a) in reliance on this proviso more than one time during the term of this Agreement and (iv) such ratio is not greater than 65% at any time.

(b) Consolidated Secured Leverage Ratio. Permit the Consolidated Secured Leverage Ratio at any time to be greater than 30%; provided, however, that if such amount

is greater than 30% but is not greater than 40%, then the Borrower shall be deemed to be in compliance with this subsection (b) so long as (i) the Borrower completed a Material Acquisition during the quarter in which such ratio first exceeded 30%, (ii) such ratio does not exceed 30% at any time after the fiscal quarter immediately following the fiscal quarter in which such Material Acquisition was completed, (iii) the Borrower has not maintained compliance with this subsection (b) in reliance on this proviso more than one time during the term of this Agreement and (iv) such ratio is not greater than 40% at any time.

(c) Consolidated Unencumbered Leverage Ratio. Permit the Consolidated Unencumbered Leverage Ratio at any time to be greater than 60%; provided, however, that if such ratio is greater than 60% but is not greater than 65%, then the Borrower shall be deemed to be in compliance with this subsection (c) so long as (i) the Borrower completed a Material Acquisition during the quarter in which such ratio first exceeded 60%, (ii) such ratio does not exceed 60% at any time after the fiscal quarter immediately following the fiscal quarter in which such Material Acquisition was completed, (iii) the Borrower has not maintained compliance with this subsection (c) in reliance on this proviso more than one time during the term of this Agreement and (iv) such ratio is not greater than 65% at any time.

(d) Consolidated Fixed Charge Coverage Ratio. Permit the Consolidated Fixed Charge Coverage Ratio as of the end of any fiscal quarter to be less than 1.50:1.0.

(e) Consolidated Unsecured Coverage Ratio. Permit the Consolidated Unsecured Coverage Ratio as of the end of any fiscal quarter to be less than 1.75:1.0.

(f) [Reserved].

(r) The Credit Agreement is further amended by restating the first sentence of Section 8.08 thereof in its entirety as follows:

Each of the Arrangers, the Co-Syndication Agents and the Joint Book Runners (each a "Titled Agent") in each such respective capacity, assumes no responsibility or obligation hereunder, including, without limitation, for servicing, enforcement or collection of any of the Loans, nor any duties as an agent hereunder for the Lenders.

(s) The Credit Agreement is further amended by adding the following new Section 9.23 at the end of Article IX thereof:

9.23 Acknowledgement and Consent to Bail-In of EEA Financial Institutions.

Notwithstanding anything to the contrary in any Credit Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Credit Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Credit Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority.

To the extent not prohibited by applicable law, each Lender shall notify the Borrower and the Administrative Agent if it has become the subject of a Bail-In Action (or any case or other proceeding in which a Bail-In Action could be reasonably be expected to be asserted against such Lender).

(t) The Credit Agreement is further amended by deleting Schedules 2.01, 5.06 and 5.07 attached thereto in their entirety and substituting in lieu thereof Schedules 2.01, 5.06 and 5.07 attached hereto.

Section 2. Conditions Precedent. The effectiveness of this Amendment is subject to receipt by the Administrative Agent of each of the following in form and substance satisfactory to the Administrative Agent:

(a) a counterpart of this Amendment duly executed by the Borrower, the Administrative Agent and each of the Required Lenders;

(b) replacement Revolving Notes duly executed by the Borrower payable to each Lender that requests a Revolving Note in the original principal amount of such Lender's Revolving Committed Amount as set forth on Schedule 2.01 attached hereto;

(c) a certificate of the Borrower, signed on behalf of the Borrower by the Borrower's chief executive officer or chief financial officer, certifying that, (i) since December 31, 2015, there has not been a material adverse change in the condition (financial or otherwise), operations, business, assets, liabilities or prospects of the Consolidated Group taken as a whole or in the facts and information regarding such entities as represented to date, nor has there been a downgrade of the Borrower's credit rating of two or more notches, and (ii) there is no action, suit, investigation or proceeding pending or threatened in any court or before any arbitrator or governmental authority that purports (x) to materially and adversely affect the Borrower or its subsidiaries, or (y) to affect any transaction contemplated the Credit Agreement or the ability of the Borrower and its subsidiaries or any other obligor under the guarantees to perform their respective obligations under the Credit Agreement.

- (d) the Borrower's financial statements for the period ending March 31, 2016 included in the Borrower's Form 10-Q filed with the SEC;
- (e) evidence that all fees and expenses due and payable to the Administrative Agent, any of the Lenders and any of their respective Affiliates have been paid; and
- (f) such other documents, agreements and instruments as the Administrative Agent may reasonably request.

Section 3. Allocations. The Administrative Agent, the Borrower and each Lender agree that upon the effectiveness of this Amendment (the date of such effectiveness, the "Amendment Effective Date"), the outstanding Revolving Loans and the participation interests of the Lenders in any outstanding Letters of Credit and Swing Line Loans shall be allocated among the Lenders in accordance with their respective Revolving Commitment Percentages calculated based on the Revolving Commitments of the Lenders set forth on Schedule 2.01 attached hereto (the "Post-Amendment Commitment Percentage"). To effect such allocations, each Lender whose Post-Amendment Commitment Percentage exceeds the amount of such Lender's Revolving Commitment Percentage immediately prior to the effectiveness of this Amendment and any Lender providing a new Commitment shall make a Revolving Loan in such amount as is necessary so that the aggregate principal amount of Revolving Loans held by such Lender shall equal such Lender's Post-Amendment Commitment Percentage of the aggregate outstanding principal amount of the Revolving Loans as of the Amendment Effective Date. The Administrative Agent shall make such amounts of the proceeds of such Revolving Loans available (a) to each Lender whose Post-Amendment Commitment Percentage is less than the amount of such Lender's Revolving Commitment Percentage immediately prior to the effectiveness of this Amendment as is necessary so that the aggregate principal amount of Revolving Loans held by such Lender shall equal such Lender's Post-Amendment Commitment Percentage of the aggregate outstanding principal amount of the Revolving Loans as of the Amendment Effective Date and (b) to the Exiting Lenders (as defined below) as is necessary to repay in full the Revolving Loans owing to such Exiting Lenders. The parties hereto confirm that the aggregate outstanding principal amount of the Revolving Loans immediately prior to the Amendment Effective Date is equal to the aggregate outstanding principal amount of the Revolving Loans immediately after giving effect to the Amendment. Except for any Revolving Notes to be provided to the Lenders in the principal amount of their respective Revolving Commitments, no other documents, instruments or fees (other than fees set forth in Section 2(e) above) shall be, or shall be required to be, executed or paid in connection with such allocations (all of which are hereby waived, as necessary).

Goldman Sachs Bank USA, as a new Lender under the Credit Agreement on the Amendment Effective Date, hereby agrees to provide a new Revolving Commitment in the amount set forth on Schedule 2.01 attached hereto. On the Amendment Effective Date, Goldman Sachs Bank USA agrees to become and shall be deemed a Lender for all purposes of the Credit Agreement, and each reference to the Lenders in the Credit Agreement shall be deemed to include Goldman Sachs Bank USA. Goldman Sachs Bank USA hereby appoints Wells Fargo Bank, National Association as the Administrative Agent and authorizes the Administrative Agent to take such action on its behalf and to exercise such powers under the Credit Agreement and other Credit Documents as are delegated to the Administrative Agent by the terms thereof.

On the Amendment Effective Date, the Revolving Commitments of each of Regions Bank and Royal Bank of Canada (each, an "Exiting Lender") shall be terminated, all outstanding amounts due under the Credit Agreement and the other Credit Documents to the Exiting Lenders on the Amendment Effective Date shall be paid in full, and each Exiting Lender shall cease to be a Lender under the Credit Agreement.

The Administrative Agent, the Borrower and each Lender confirms the amount of each such Lender's Revolving Commitment as set forth on Schedule 2.01 attached hereto.

Section 4. Representations. The Borrower represents and warrants to the Administrative Agent and the Lenders that:

(a) Corporate and Governmental Authorization; No Contravention. The execution and delivery by the Borrower of this Amendment and the performance by the Borrower of its obligations hereunder and under the Credit Agreement as amended by this Amendment are within the corporate power of the Borrower, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official or other Person (except for any such action or filing that has been taken and is in full force and effect) and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the Organization Documents of the Borrower or of any material agreement, judgment, injunction, order, decree or other material instrument binding upon the Borrower or result in the creation or imposition of any Lien on any asset of the Borrower other than Liens created pursuant to the Credit Documents.

(b) Binding Effect. This Amendment and the Credit Agreement as amended by this Amendment constitute valid and binding agreements of the Borrower, enforceable against the Borrower in accordance with their terms.

(c) No Default. No Default or Event of Default has occurred and is continuing as of the date hereof nor will exist immediately after giving effect to this Amendment.

Section 5. Reaffirmation of Representations. The Borrower hereby repeats and reaffirms all representations and warranties made by the Borrower to the Administrative Agent and the Lenders in the Credit Agreement as amended by this Amendment and the other Credit Documents on and as of the date hereof with the same force and effect as if such representations and warranties were set forth in this Amendment in full.

Section 6. Certain References. Each reference to the Credit Agreement in any of the Credit Documents shall be deemed to be a reference to the Credit Agreement as amended by this Amendment. This Amendment is a Credit Document.

Section 7. Costs and Expenses. The Borrower shall reimburse the Administrative Agent for all reasonable out-of-pocket costs and expenses (including Attorney Costs) incurred by the Administrative Agent in connection with the preparation, negotiation and execution of this Amendment and the other agreements and documents executed and delivered in connection herewith.

Section 8. Benefits. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

Section 9. GOVERNING LAW. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (WITHOUT TAKING INTO ACCOUNT CONFLICT OF LAW PRINCIPLES THAT WOULD RESULT IN THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION).

Section 10. Effect; Ratification. Except as expressly herein amended, the terms and conditions of the Credit Agreement and the other Credit Documents remain in full force and effect. The amendments contained herein shall be deemed to have prospective application only. The Credit Agreement is hereby ratified and confirmed in all respects. Nothing in this Amendment shall limit, impair or constitute a waiver of the rights, powers or remedies available to the Administrative Agent or the Lenders under the Credit Agreement or any other Credit Document.

Section 11. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original and shall be binding upon all parties, their successors and assigns.

Section 12. Definitions. All capitalized terms not otherwise defined herein are used herein with the respective definitions given them in the Credit Agreement.

[Signatures on Next Page]

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to Credit Agreement to be executed as of the date first above written.

HEALTHCARE REALTY TRUST INCORPORATED

By: /s/ B. Douglas Whitman, II
Name: B. Douglas Whitman, II
Title: Executive Vice President, Corporate Finance

[Signatures Continued on Next Page]

WELLS FARGO BANK, NATIONAL ASSOCIATION, as
Administrative Agent, an L/C Issuer, the Swing Line Lender and as a
Lender

By: /s/ Winita Lau

Name: Winita Lau

Title: Senior Vice President

JPMORGAN CHASE BANK, N.A., as a Lender and an L/C Issuer

By: /s/ Chiara Carter

Name: Chiara Carter

Title: Executive Director

PNC BANK, NATIONAL ASSOCIATION, as a Lender and an L/C
Issuer

By: /s/ Eric W. Staton

Name: Eric W. Staton

Title: Vice President

U.S. BANK NATIONAL ASSOCIATION, as a Lender and an L/C
Issuer

By: /s/ Lori Y. Jensen

Name: Lori Y. Jensen

Title: Senior Vice President

BANK OF AMERICA, N.A., as a Lender

By: /s/ Yinghua Zhang

Name: Yinghau Zhang

Title: Director

BANK OF MONTREAL, as a Lender

By: /s/ Gwendolyn Gatz

Name: Gwendolyn Gatz

Title: Vice President

THE BANK OF NOVA SCOTIA, as a Lender

By: /s/ Mauricio Saishio

Name: Mauricio Saishio

Title: Director

BARCLAYS BANK PLC, as a Lender

By: /s/ Ronnie Glenn

Name: Ronnie Glenn

Title: Vice President

CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK, as a Lender

By: /s/ Mark Koneval

Name: Mark Koneval

Title: Managing Director

By: /s/ Alistair Anderson

Name: Alistair Anderson

Title: Vice President

GOLDMAN SACHS BANK USA, as a Lender

By: /s/ Rebecca Kratz

Name: Rebecca Kratz

Title: Authorized Signatory

FIFTH THIRD BANK, as a Lender

By: /s/ Vera B. McEvoy

Name: Vera B. McEvoy

Title: Vice President

BRANCH BANKING AND TRUST COMPANY, as a Lender

By: /s/ Brad Bowen

Name: Brad Bowen

Title: Vice President

FIRST TENNESSEE BANK, N.A., as a Lender

By: /s/ Cathy Wind

Name: Cathy Wind

Title: Senior Vice President

PINNACLE BANK, as a Lender

By: /s/ Todd Carter

Name: Todd Carter

Title: Senior Vice President

SCHEDULE 2.01**LENDERS AND COMMITMENTS**

| Lender | Revolving Committed Amount | Revolving Commitment Percentage |
|---|----------------------------|---------------------------------|
| Wells Fargo Bank, National Association | \$70,000,000.00 | 10.000000% |
| JPMorgan Chase Bank, N.A. | \$70,000,000.00 | 10.000000% |
| PNC Bank, National Association | \$65,000,000.00 | 9.2857144% |
| U.S. Bank National Association | \$65,000,000.00 | 9.2857144% |
| Bank of America, N.A. | \$50,000,000.00 | 7.1428571% |
| Bank of Montreal | \$50,000,000.00 | 7.1428571% |
| Bank of Nova Scotia | \$50,000,000.00 | 7.1428571% |
| Barclays Bank PLC | \$50,000,000.00 | 7.1428571% |
| Credit Agricole Corporate and Investment Bank | \$50,000,000.00 | 7.1428571% |
| Goldman Sachs Bank USA | \$50,000,000.00 | 7.1428571% |
| Fifth Third Bank | \$47,000,000.00 | 6.7142857% |
| Branch Banking & Trust Company | \$38,000,000.00 | 5.4285714% |
| First Tennessee Bank, N.A. | \$25,000,000.00 | 3.5714286% |
| Pinnacle Bank | 20,000.000.00 | 2.8571429% |
| Total: | \$700,000,000.00 | 100.00000000% |

SCHEDULE 5.06

ENVIRONMENTAL MATTERS

During 2015, the Borrower acquired a medical office building in Tacoma, Washington. During the due diligence period, the Borrower identified a specific area of the property that contains soils with above-tolerance levels of tetrachloroethylene (a dry cleaning solvent commonly known as perc) and obtained a satisfactory purchase price reduction and recorded a \$1,200,000 liability upon acquisition. Remediation efforts are underway.

SCHEDULE 5.07

MATERIAL SUBSIDIARIES AND SPECIFIED AFFILIATES ¹⁾

Schedule 5.07 - 1

| Entity Name | Jurisdiction of Organization | Ownership ⁽²⁾ |
|---|-------------------------------------|--|
| HRT Properties of Texas, Ltd. | TX | Healthcare Acquisition of Texas, Inc. |
| HR Acquisition of San Antonio, Ltd. | AL | Healthcare Acquisition of Texas, Inc. |
| HRT of Tennessee, LLC | TN | Healthcare Realty Trust Incorporated |
| HR Acquisition I Corporation | MD | Healthcare Realty Trust Incorporated |
| HR of Carolinas, LLC | DE | HR Carolinas Holdings, LLC |
| HR of Indiana, LLC | DE | HRT of Delaware, Inc. |
| HR of Iowa, LLC | DE | Healthcare Realty Trust Incorporated |
| HR Assets, LLC | DE | Healthcare Realty Trust Incorporated |
| Lakewood MOB, LLC | DE | HR of Iowa, LLC |
| HRT of Illinois, Inc. | DE | Healthcare Realty Trust Incorporated |
| HR-Pima, LLC | DE | Healthcare Realty Trust Incorporated |
| HR Acquisition of Pennsylvania, Inc. | PA | HR Acquisition I Corporation |
| HRT of Roanoke, Inc. | VA | Healthcare Realty Trust Incorporated |
| HR St. Francis MOB I SPE, LLC | DE | HR Richmond Manager, LLC |
| HR First Hill Medical Building SPE, LLC | DE | HR First Hill Holdings, LLC |
| HR St. Mary's MOB South SPE, LLC | DE | HR Richmond Manager, LLC |
| HR 601 Broadway Unit A, LLC | TN | Healthcare Realty Trust Incorporated |
| HR St. Mary's MOB NW SPE, LLC | DE | HR Richmond Manager, LLC |
| HR Three Tree, LLC | DE | HR Assets, LLC (99%) and HR Acquisition I Corporation (1%) |
| HR Fridley, LLC | MN | Healthcare Realty Trust Incorporated |
| HR Lowry Medical Center SPE, LLC | DE | Healthcare Realty Trust Incorporated |
| HRP MAC III, LLC | DE | HR MAC II, LLC |
| HR Summit Crossing SPE, LLC | DE | Healthcare Realty Trust Incorporated |
| HR West Des Moines SPE, LLC | DE | Healthcare Realty Trust Incorporated |
| Clive Wellness Campus Building One, LLC | DE | HR LADCO Holdings, LLC |
| HR MAC II, LLC | DE | Healthcare Realty Trust Incorporated |

- (1) There are no Specified Affiliates.
- (2) The subsidiaries listed under the Ownership column but not under the Material Subsidiary column do not directly own real estate assets meeting the Individual Subsidiary Test.

Schedule 5.07 - 3

FIRST AMENDMENT TO TERM LOAN AGREEMENT

This FIRST AMENDMENT TO TERM LOAN AGREEMENT (this “Amendment”) dated as of July 29, 2016 by and among HEALTHCARE REALTY TRUST INCORPORATED, a corporation formed under the laws of the State of Maryland (the “Borrower”), each of the Lenders party hereto and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent (the “Administrative Agent”).

WHEREAS, the Borrower, the Lenders, the Administrative Agent and certain other parties have entered into that certain Term Loan Agreement dated as of February 27, 2014 (as amended and as in effect immediately prior to the effectiveness of this Amendment, the “Credit Agreement”); and

WHEREAS, the Borrower, the Lenders and the Administrative Agent desire to amend certain provisions of the Credit Agreement on the terms and conditions contained herein.

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

Section 1. Specific Amendments to Credit Agreement. Upon the effectiveness of this Amendment, the parties hereto agree that the Credit Agreement shall be amended as follows:

(a) The Credit Agreement is amended by adding the following definitions to Section 1.01 thereof in the appropriate alphabetical location:

“Anti-Terrorism Laws” has the meaning given that term in Section 5.22.

“Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

“Bail-In Legislation” means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

“EEA Financial Institution” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“EEA Member Country” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“EEA Resolution Authority” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“EU Bail-In Legislation Schedule” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

“First Amendment Date” means July 29, 2016.

“Material Acquisition” means any acquisition (whether by direct purchase, merger or otherwise and whether in one or more related transactions) by the Borrower or any Subsidiary in which the purchase price of the assets acquired exceeds an amount equal to 10.0% of consolidated total assets as of the last day of the most recently ended fiscal quarter prior to the consummation of such acquisition of the Borrower for which financial statements are publicly available.

“Trading with the Enemy Act” has the meaning given to that term in Section 5.22.

“Write-Down and Conversion Powers” means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

(b) The Credit Agreement is further amended by restating the following definitions contained in Section 1.01 thereof in their entirety as follows:

“Consolidated Unencumbered Realty” means, for the Consolidated Group, the book value of all realty (prior to deduction for accumulated depreciation) minus the book value of real property (prior to deduction for accumulated depreciation) which is subject to mortgage Liens described in clause (c) of Section 6.07 or mortgage Liens arising out of the refinancing, extension, renewal or refunding of any Indebtedness permitted hereunder secured by a mortgage Lien initially permitted under clause (c) of Section 6.07. To the extent that the aggregate amount of Consolidated Unencumbered Realty attributable to the following would exceed 15.0% of Consolidated Unencumbered Realty, such excess shall be excluded: (a) construction projects; (b) unimproved real estate; (c) realty owned or leased by a Subsidiary that is not a Wholly Owned Subsidiary (other than realty owned or leased by a Subsidiary that is not a Wholly Owned Subsidiary but for which the Borrower exclusively controls, directly or indirectly, the sale and financing of such realty); and (d) realty not located in the United States of America.

“Defaulting Lender” means, subject to Section 2.14(f), any Lender that (a) has failed to (i) fund all or any portion of its Loan within 2 Business Days of the date such Loan was required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent or any Lender any other amount required to be paid by it hereunder within 2 Business Days of the date when due, (b) has notified the Borrower or the Administrative Agent in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund a Loan hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), or (c) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity or (iii) become the subject of a Bail-In Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States of America or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under clauses (a) through (c) above shall be conclusive and

binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.14(f)) upon delivery of written notice of such determination to the Borrower and each Lender.

“Eurodollar Rate” means, with respect to any Eurodollar Rate Loan for any Interest Period, the rate of interest obtained by dividing (i) the rate of interest per annum determined on the basis of the rate for deposits in Dollars for a period equal to the applicable Interest Period which appears on Reuters Screen LIBOR01 Page (or any applicable successor page) at approximately 11:00 a.m. (London time) two Business Days prior to the first day of the applicable Interest Period by (ii) a percentage equal to 1 minus the stated maximum rate (stated as a decimal) of all reserves, if any, required to be maintained with respect to Eurocurrency funding (currently referred to as “Eurocurrency liabilities”) as specified in Regulation D of the Board of Governors of the Federal Reserve System (or against any other category of liabilities which includes deposits by reference to which the interest rate on Eurodollar Rate Loans is determined or any applicable category of extensions of credit or other assets which includes loans by an office of any Lender outside of the United States of America). If, for any reason, the rate referred to in the preceding clause (i) does not appear on Reuters Screen LIBOR01 Page (or any applicable successor page), then the rate to be used for such clause (i) shall be determined by the Administrative Agent to be the arithmetic average of the rate per annum at which deposits in Dollars would be offered by first class banks in the London interbank market to the Administrative Agent at approximately 11:00 a.m. (London time) two Business Days prior to the first day of the applicable Interest Period for a period equal to such Interest Period. Any change in the maximum rate of reserves described in the preceding clause (ii) shall result in a change in the Eurodollar Rate on the date on which such change in such maximum rate becomes effective. If the Eurodollar Rate determined as provided above would be less than zero, the Eurodollar Rate shall be deemed to be zero.

“Federal Funds Rate” means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by the Administrative Agent. If the Federal Funds Rate determined as provided above would be less than zero, the Federal Funds Rate shall be deemed to be zero.

“Sanctioned Country” means, at any time, a country or territory which is, or whose government is, the subject or target of any Sanctions.

“Sanctioned Person” means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by any Governmental Authority of the United States of America, including without limitation, OFAC or the U.S. Department of State, or by the United Nations Security Council, the European Union or any other Governmental Authority, (b) any Person located, operating, organized or resident in a Sanctioned Country, (c) an agency, political subdivision or instrumentality of the government of a Sanctioned Country or (d) any Person Owned or Controlled by any Person, Persons or agency described in any of the preceding clauses (a) through (c).

“Sanctions” means any sanctions or trade embargoes imposed, administered or enforced by any Governmental Authority of the United States of America, including without limitation, OFAC or the U.S. Department of State, or by the United Nations Security Council, the European Union or any other Governmental Authority.

(c) The Credit Agreement is further amended by deleting the definition of “Equity Transaction” contained in Section 1.01 thereof in its entirety.

(d) The Credit Agreement is further amended by adding the following subsection (g) to the end of Section 3.01:

(g) FATCA Determination. For purposes of determining withholding Taxes imposed under FATCA, from and after the First Amendment Date, the Borrower and the Administrative Agent shall treat (and the Lenders hereby authorize the Administrative Agent to treat) this Agreement as not qualifying as a “grandfathered obligation” within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i).

(e) The Credit Agreement is further amended by restating Section 3.06(b) thereof in its entirety as follows:

(b) Replacement of Lenders. If any Lender requests compensation under Section 3.04, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, or if a Lender becomes a Defaulting Lender, the Borrower may replace such Lender in accordance with Section 9.15.

(f) The Credit Agreement is further amended by restating Section 5.22 thereof in its entirety as follows:

5.22 Anti-Corruption Laws and Sanctions; Anti-Terrorism Laws.

None of the Borrower, any Subsidiary, any of their respective directors, or officers, or, to the knowledge of the Borrower, any of the Borrower’s or any Subsidiary’s employees (i) is an “enemy” or an “ally of the enemy” within the meaning of Section 2 of the Trading with the Enemy Act of the United States, 50 U.S.C. App. §§ 1 et seq., as amended (the “Trading with the Enemy Act”) or (ii) is in violation of (A) the Trading with the Enemy Act, (B) any of the foreign assets control regulations of the United States Treasury Department or any enabling legislation or executive order relating thereto, including without limitation, Executive Order No. 13224, effective as of September 24, 2001 relating to Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit or Support Terrorism (66 Fed. Reg. 49079 (2001) or (C) the Patriot Act (collectively, the “Anti-Terrorism Laws”). The Borrower, its Subsidiaries and their respective officers and employees and its directors and agents, are in compliance with Anti-Corruption Laws, Anti-Terrorism Laws and applicable Sanctions in all material respects. None of the Borrower, any Subsidiary or any of their respective directors, officers or employees is (i) the subject or target of any Sanctions or (ii) located, organized or resident in a country or territory that is, or whose government is, the subject of Sanctions.

(g) The Credit Agreement is further amended by restating Section 6.04 thereof in its entirety as follows:

6.04 Conduct of Business and Maintenance of Existence.

Except as contemplated otherwise by the Investment Policy, the Borrower will continue, and will cause each Subsidiary to continue, to engage in business of the same general type as now conducted by the Borrower and each of its Subsidiaries, and will preserve, renew and keep in full force and effect, and will cause each of its Subsidiaries to preserve, renew and keep in full force and effect their respective organizational existences and, with respect to the Borrower, its jurisdiction of organization shall remain in the United States (except with the written consent of the Administrative Agent and each Lender) and, except for any such rights, privileges and franchises the failure to preserve which would not in the aggregate have a Material Adverse Effect; provided that nothing in this Section 6.04 shall prohibit (a) the merger of a Subsidiary of the Borrower into the Borrower or the merger or consolidation of any Subsidiary of the Borrower with or into another Person if the corporation surviving such consolidation or merger is a Wholly Owned Consolidated Subsidiary of the Borrower and if, in each case, after giving effect thereto, no Default or Event of Default shall have occurred and be

continuing and a responsible officer of the Borrower shall deliver to the Administrative Agent an officer's certificate representing that after giving effect to the transaction (i) the Borrower is in compliance with the terms of the Credit Agreement on a pro forma basis and (ii) no Default or Event of Default shall then exist, or (b) the termination of the corporate existence of any Subsidiary of the Borrower or the discontinuation of any line of business of the Borrower or any of its Subsidiaries if the Borrower in good faith determines that such termination is in the best interest of the Borrower or such Subsidiary, as the case may be, and is not materially disadvantageous to the Lenders.

(h) The Credit Agreement is further amended by restating Section 6.12 thereof in its entirety as follows:

6.12 Use of Proceeds.

The Loans hereunder will be used (a) to refinance existing indebtedness for borrowed money, (b) to finance the acquisition and development of healthcare real estate properties by the Borrower and its Subsidiaries, and (c) to finance the general corporate purposes of the Borrower and its Subsidiaries. No proceeds of any Loan will be used (x) to purchase or carry any "margin stock" or to extend credit to others for the purpose of purchasing or carrying any "margin stock" in violation of Regulations U, T or X, (y) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws or any Anti-Terrorism Laws or (z) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country.

(i) The Credit Agreement is further amended by restating Section 6.16 thereof in its entirety as follows:

(a) Consolidated Leverage Ratio. Permit the Consolidated Leverage Ratio at any time to be greater than 60%; provided, however, that if such ratio is greater than 60% but is not greater than 65%, then the Borrower shall be deemed to be in compliance with this subsection (a) so long as (i) the Borrower completed a Material Acquisition during the quarter in which such ratio first exceeded 60%, (ii) such ratio does not exceed 60% at any time after the fiscal quarter immediately following the fiscal quarter in which such Material Acquisition was completed, (iii) the Borrower has not maintained compliance with this subsection (a) in reliance on this proviso more than one time during the term of this Agreement and (iv) such ratio is not greater than 65% at any time.

(b) Consolidated Secured Leverage Ratio. Permit the Consolidated Secured Leverage Ratio at any time to be greater than 30%; provided, however, that if such amount is greater than 30% but is not greater than 40%, then the Borrower shall be deemed to be in compliance with this subsection (b) so long as (i) the Borrower completed a Material Acquisition during the quarter in which such ratio first exceeded 30%, (ii) such ratio does not exceed 30% at any time after the fiscal quarter immediately following the fiscal quarter in which such Material Acquisition was completed, (iii) the Borrower has not maintained compliance with this subsection (b) in reliance on this proviso more than one time during the term of this Agreement and (iv) such ratio is not greater than 40% at any time.

(c) Consolidated Unencumbered Leverage Ratio. Permit the Consolidated Unencumbered Leverage Ratio at any time to be greater than 60%; provided, however, that if such ratio is greater than 60% but is not greater than 65%, then the Borrower shall be deemed to be in compliance with this subsection (c) so long as (i) the Borrower completed a Material Acquisition during the quarter in which such ratio first exceeded 60%, (ii) such ratio does not exceed 60% at any time after the fiscal quarter immediately following the fiscal quarter in which such Material Acquisition was completed, (iii) the Borrower has not maintained compliance with this subsection (c) in reliance on this proviso more than one time during the term of this Agreement and (iv) such ratio is not greater than 65% at any time.

(d) Consolidated Fixed Charge Coverage Ratio. Permit the Consolidated Fixed Charge Coverage Ratio as of the end of any fiscal quarter to be less than 1.50:1.0.

(e) Consolidated Unsecured Coverage Ratio. Permit the Consolidated Unsecured Coverage Ratio as of the end of any fiscal quarter to be less than 1.75:1.0.

(f) [Reserved].

(j) The Credit Agreement is further amended by adding the following new Section 9.23 at the end of Article IX thereof:

9.23 Acknowledgement and Consent to Bail-In of EEA Financial Institutions.

Notwithstanding anything to the contrary in any Credit Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Credit Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Credit Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority.

To the extent not prohibited by applicable law, each Lender shall notify the Borrower and the Administrative Agent if it has become the subject of a Bail-In Action (or any case or other proceeding in which a Bail-In Action could be reasonably be expected to be asserted against such Lender).

(k) The Credit Agreement is further amended by deleting Schedules 5.06 and 5.07 attached thereto in their entirety and substituting in lieu thereof 5.06 and 5.07 attached hereto.

Section 2. Conditions Precedent. The effectiveness of this Amendment is subject to receipt by the Administrative Agent of each of the following in form and substance satisfactory to the Administrative Agent:

(a) a counterpart of this Amendment duly executed by the Borrower, the Administrative Agent and each of the Required Lenders;

(b) a certificate of the Borrower, signed on behalf of the Borrower by the Borrower's chief executive officer or chief financial officer, certifying that, (i) since December 31, 2015, there has not been a material adverse change in the condition (financial or otherwise), operations, business, assets, liabilities or prospects of the Consolidated Group taken as a whole or in the facts and information regarding such entities as represented to date, nor has there been a downgrade of the Borrower's credit rating of two or more notches, and (ii) there is no action, suit, investigation or proceeding pending or threatened in any court or before any arbitrator or governmental authority that purports (x)

to materially and adversely affect the Borrower or its subsidiaries, or (y) to affect any transaction contemplated the Credit Agreement or the ability of the Borrower and its subsidiaries or any other obligor under the guarantees to perform their respective obligations under the Credit Agreement.

(c) the Borrower's financial statements for the period ending March 31, 2016 included in the Borrower's Form 10-Q filed with the SEC;

(d) evidence that all fees and expenses due and payable to the Administrative Agent, any of the Lenders and any of their respective Affiliates have been paid; and

(e) such other documents, agreements and instruments as the Administrative Agent may reasonably request.

Section 3. Representations. The Borrower represents and warrants to the Administrative Agent and the Lenders that:

(a) Corporate and Governmental Authorization; No Contravention. The execution and delivery by the Borrower of this Amendment and the performance by the Borrower of its obligations hereunder and under the Credit Agreement as amended by this Amendment are within the corporate power of the Borrower, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official or other Person (except for any such action or filing that has been taken and is in full force and effect) and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the Organization Documents of the Borrower or of any material agreement, judgment, injunction, order, decree or other material instrument binding upon the Borrower or result in the creation or imposition of any Lien on any asset of the Borrower other than Liens created pursuant to the Credit Documents.

(b) Binding Effect. This Amendment and the Credit Agreement as amended by this Amendment constitute valid and binding agreements of the Borrower, enforceable against the Borrower in accordance with their terms.

(c) No Default. No Default or Event of Default has occurred and is continuing as of the date hereof nor will exist immediately after giving effect to this Amendment.

Section 4. Reaffirmation of Representations. The Borrower hereby repeats and reaffirms all representations and warranties made by the Borrower to the Administrative Agent and the Lenders in the Credit Agreement as amended by this Amendment and the other Credit Documents on and as of the date hereof with the same force and effect as if such representations and warranties were set forth in this Amendment in full.

Section 5. Certain References. Each reference to the Credit Agreement in any of the Credit Documents shall be deemed to be a reference to the Credit Agreement as amended by this Amendment. This Amendment is a Credit Document.

Section 6. Costs and Expenses. The Borrower shall reimburse the Administrative Agent for all reasonable out-of-pocket costs and expenses (including Attorney Costs) incurred by the Administrative Agent in connection with the preparation, negotiation and execution of this Amendment and the other agreements and documents executed and delivered in connection herewith.

Section 7. Benefits. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

Section 8. GOVERNING LAW. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (WITHOUT TAKING INTO ACCOUNT CONFLICT OF LAW PRINCIPLES THAT WOULD RESULT IN THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION).

Section 9. Effect; Ratification. Except as expressly herein amended, the terms and conditions of the Credit Agreement and the other Credit Documents remain in full force and effect. The amendments contained herein shall be deemed to have prospective application only. The Credit Agreement is hereby ratified and confirmed in all respects. Nothing in this Amendment shall limit, impair or constitute a waiver of the rights, powers or remedies available to the Administrative Agent or the Lenders under the Credit Agreement or any other Credit Document.

Section 10. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original and shall be binding upon all parties, their successors and assigns.

Section 11. Definitions. All capitalized terms not otherwise defined herein are used herein with the respective definitions given them in the Credit Agreement.

[Signatures on Next Page]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Term Loan Agreement to be executed as of the date first above written.

HEALTHCARE REALTY TRUST INCORPORATED

| | |
|--------|---|
| By: | <u>/s/ J. Christopher Douglas</u> |
| Name: | <u>J. Christopher Douglas</u> |
| Title: | <u>Executive Vice President and Chief Financial Officer</u> |

[Signatures Continued on Next Page]

WELLS FARGO BANK, NATIONAL ASSOCIATION, as
Administrative Agent and as a Lender

By: /s/ Winita Lau
Name: Winita Lau
Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Eric W. Staton
Name: Eric W. Staton
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ J. Lee Hord
Name: J. Lee Hord
Title: Senior Vice President

FIFTH THIRD BANK, as a Lender

By: /s/ Vera B. McEvoy
Name: Vera B. McEvoy
Title: Vice President

BRANCH BANKING AND TRUST COMPANY, as a
Lender

By: /s/ Brad Bowen
Name: Brad Bowen
Title: Vice President

BANK OF MONTREAL, as a Lender

By: /s/ Gwendolyn Gatz
Name: Gwendolyn Gatz
Title: Vice President

REGIONS BANK, as a Lender

By: /s/ Steven W. Mitchell
Name: Steven W. Mitchell
Title: Senior Vice President

FIRST TENNESSEE BANK, N.A., as a Lender

By: /s/ Cathy Wind

Name: Cathy Wind

Title: Senior Vice President

PINNACLE BANK, as a Lender

By: /s/ Todd Carter

Name: Todd Carter

Title: Senior Vice President

SCHEDULE 5.06

ENVIRONMENTAL MATTERS

During 2015, the Borrower acquired a medical office building in Tacoma, Washington. During the due diligence period, the Borrower identified a specific area of the property that contains soils with above-tolerance levels of tetrachloroethylene (a dry cleaning solvent commonly known as perc) and obtained a satisfactory purchase price reduction and recorded a \$1,200,000 liability upon acquisition. Remediation efforts are underway.

SCHEDULE 5.07
MATERIAL SUBSIDIARIES AND SPECIFIED AFFILIATES ⁽¹⁾

| Entity Name | Jurisdiction of Organization | Ownership ⁽²⁾ |
|---|-------------------------------------|--|
| HRT Properties of Texas, Ltd. | TX | Healthcare Acquisition of Texas, Inc. |
| HR Acquisition of San Antonio, Ltd. | AL | Healthcare Acquisition of Texas, Inc. |
| HRT of Tennessee, LLC | TN | Healthcare Realty Trust Incorporated |
| HR Acquisition I Corporation | MD | Healthcare Realty Trust Incorporated |
| HR of Carolinas, LLC | DE | HR Carolinas Holdings, LLC |
| HR of Indiana, LLC | DE | HRT of Delaware, Inc. |
| HR of Iowa, LLC | DE | Healthcare Realty Trust Incorporated |
| HR Assets, LLC | DE | Healthcare Realty Trust Incorporated |
| Lakewood MOB, LLC | DE | HR of Iowa, LLC |
| HRT of Illinois, Inc. | DE | Healthcare Realty Trust Incorporated |
| HR-Pima, LLC | DE | Healthcare Realty Trust Incorporated |
| HR Acquisition of Pennsylvania, Inc. | PA | HR Acquisition I Corporation |
| HRT of Roanoke, Inc. | VA | Healthcare Realty Trust Incorporated |
| HR St. Francis MOB I SPE, LLC | DE | HR Richmond Manager, LLC |
| HR First Hill Medical Building SPE, LLC | DE | HR First Hill Holdings, LLC |
| HR St. Mary's MOB South SPE, LLC | DE | HR Richmond Manager, LLC |
| HR 601 Broadway Unit A, LLC | TN | Healthcare Realty Trust Incorporated |
| HR St. Mary's MOB NW SPE, LLC | DE | HR Richmond Manager, LLC |
| HR Three Tree, LLC | DE | HR Assets, LLC (99%) and HR Acquisition I Corporation (1%) |
| HR Fridley, LLC | MN | Healthcare Realty Trust Incorporated |
| HR Lowry Medical Center SPE, LLC | DE | Healthcare Realty Trust Incorporated |
| HRP MAC III, LLC | DE | HR MAC II, LLC |
| HR Summit Crossing SPE, LLC | DE | Healthcare Realty Trust Incorporated |
| HR West Des Moines SPE, LLC | DE | Healthcare Realty Trust Incorporated |
| Clive Wellness Campus Building One, LLC | DE | HR LADCO Holdings, LLC |
| HR MAC II, LLC | DE | Healthcare Realty Trust Incorporated |

(1) There are no Specified Affiliates.

(2) The subsidiaries listed under the Ownership column but not under the Material Subsidiary column do not directly own real estate assets meeting the Individual Subsidiary Test.

Healthcare Realty Trust Incorporated
Quarterly Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David R. Emery, certify that:

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

Date: August 3, 2016

/s/ DAVID R. EMERY

David R. Emery

Chairman of the Board and Chief Executive Officer

Healthcare Realty Trust Incorporated
Quarterly Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, J. Christopher Douglas, certify that:

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

Date: August 3, 2016

/s/ J. CHRISTOPHER DOUGLAS

J. Christopher Douglas

Executive Vice President and Chief Financial Officer

Healthcare Realty Trust Incorporated
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 Quarterly Report of Healthcare Realty Trust Incorporated (the “Company”) on Form 10-Q for the quarter ended June 30, 2016 , as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David R. Emery, Chairman of the Board and Chief Executive Officer of the Company, and I, J. Christopher Douglas, Executive Vice President and Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: August 3, 2016

/s/ DAVID R. EMERY

David R. Emery

Chairman of the Board and Chief Executive Officer

/s/ J. CHRISTOPHER DOUGLAS

J. Christopher Douglas

Executive Vice President and Chief Financial Officer